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Susan Montee, CPA
Missouri State Auditor

Review of 2008 Property Tax Rates



December 2008
Report No. 2008-101

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following report contains certification information on taxing authorities throughout Missouri.

State law requires the Missouri State Auditor to annually check all taxing jurisdictions throughout Missouri as to their compliance with the tax limitation provisions of Missouri's Hancock Amendment and with Section 137.073, RSMo. The following report shows whether or not a taxing jurisdiction has met its constitutional and statutory obligation to set an overall tax rate at a level approved by voters and within the bounds of limits set by Missouri's Constitution and the State Legislature.

IMPORTANT: The State Auditor's Office has no authority to determine or review individual tax assessments. Chapter 138, RSMo, governs the appeals process for assessed valuations as they pertain to individual taxpayers.

All individual tax assessment matters are the responsibility of each county assessor and board of equalization. Appeals to the state on tax assessment matters are handled by the Missouri State Tax Commission.

All reports are available on our website: www.auditor.mo.gov

YELLOW SHEET

2008 PROPERTY TAX RATES

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The State Auditor's Office is required to annually review local property tax rates of all taxing authorities in the state. The primary objectives of this review were to determine (1) whether local governing boards have levied taxes in accordance with state law, and (2) whether local property tax rates have been adjusted to ensure that property reassessments are revenue neutral. Reassessments of existing property are not intended to increase property tax revenue but to equitably reallocate the existing tax burden based on the relative value of property owned by taxpayers.

For 2008, we received substantiating data and issued a finding on 4,855 property tax rates of 2,819 taxing authorities. Eight taxing authorities levied tax rates that exceeded the tax rate certified, resulting in excess taxes levied of \$994,924. The number of taxing authorities levying a non-compliant tax rate is approximately 0.3 percent of all taxing authorities.

Property taxes are often the main source of revenue for many of Missouri's special purpose political subdivisions and county boards. The bulk of property taxes, however, fund public schools. General acceptance of these taxes is dependent on fair and equitable assessment practices and public understanding and input regarding the setting of rates. If the tax burden is increased without voter approval, confidence in the fairness and assessment practices is often eroded.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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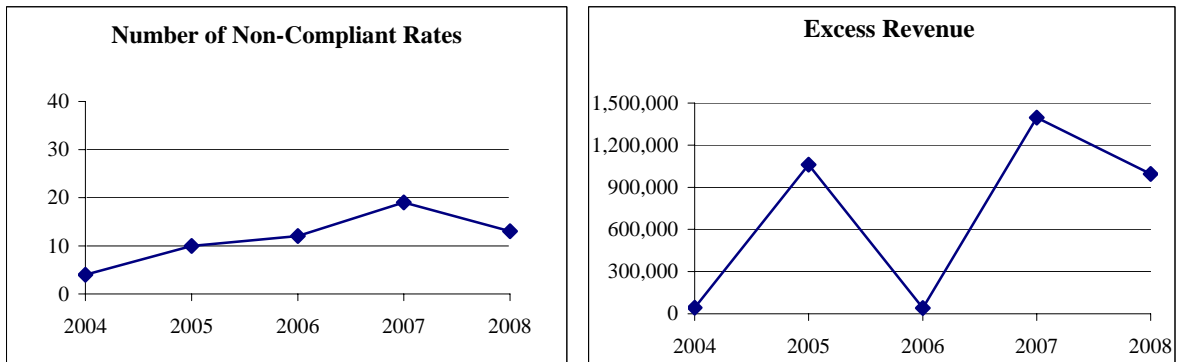
RESULTS

RESULTS

Taxing Authorities Generally Complied with State Property Tax Laws

The State Auditor received substantiating data and reviewed 4,855 property tax rates for 2,819 taxing authorities. Of the rates reviewed, 521 are debt service levies, 122 are new property tax rates approved by voters, and 33 are existing property tax rates that were increased by voter approval. The remaining 4,179 levies reviewed are general types of levies. Eight taxing authorities (approximately 0.3 percent of all taxing authorities) levied 13 tax rates that are non-compliant. Although varying factors contributed to these violations, 11 of the 13 non-compliant rates (85 percent) and \$975,561 of the \$994,924 excess revenue levied (98 percent) are from St. Louis County. See Table 1.2 below for a listing of the non-compliant tax rates levied. Taxing authorities wholly in St. Louis County are required to use the four-rate system of levying a separate rate for each subclass of property. Uncertainty with the implementation of the four-rate system originates from a lack of statutory guidance on the handling of elections, recoupments, voluntary reductions, and debt service levies. In the absence of statutory guidance specifically addressing ballots posed under the four-rate system, the State Auditor's office has reviewed all ballots under the assumption that all elections apply to all property.

The following graphs illustrate the 5-year history of non-compliant rates and revenue.



Background

The State Auditor's office and county officials assist local government officials in determining the data necessary to complete the tax rate computations. Taxing authorities are required to file data supporting the proposed property tax rates with the county, using forms prescribed by the State Auditor. The data is reviewed and a finding is returned to both the county and the taxing authority advising whether the proposed rates comply with Missouri law.

Review Methodology

The 2008 tax rate ceilings were determined based on the requirements of Section 137.073, RSMo, and Article X, Section 22, of the Missouri Constitution (commonly referred to as the Hancock Amendment). The tax rate ceiling is determined annually and is adjusted to ensure revenue

neutrality. The review of the tax rate ceiling is based on the assessed valuation for the entire political subdivision and is not calculated on an individual taxpayer basis.

To ensure taxing authorities do not receive a windfall from reassessment, our review of property tax rates begins with the prior year allowed revenue. This is the maximum amount of revenue a taxing authority could have received in the prior year. Current year tax levies must be set to yield the same gross revenue as allowed in the prior year; in addition, an adjustment is made for additional revenue permitted for assessment growth. That adjustment is the lower of (1) the actual growth rate, (2) the inflation rate, or (3) 5 percent. Factors such as new construction and improvements, newly added territory, newly separated territory, and changes from locally assessed to state assessed property also affect the tax rate ceiling calculation. The county uses this rate to assess taxes on all property including new construction and improvements.

Voters may authorize increases beyond the set limits. Voter-approved increases are reviewed for compliance with applicable laws and stated ballot restrictions. The State Auditor's Office also reviews debt service tax rates. A tax levied to meet the annual debt service requirement is generally viewed as reasonable if the revenue to be generated plus the existing fund balance does not exceed the current payment requirements plus a reserve for the following year's payments.

A taxing authority's total assessed valuation submitted by the County Clerk or a representative of the political subdivision is used in the State Auditor's Office review of property taxes. The State Auditor's Office does not review the assessed valuation of individual pieces of property, since Chapter 138, RSMo, governs the appeals process for assessed valuations. Citizens may appeal their individual assessed valuations calculated by the County Assessor to the local Board of Equalization. Citizens not satisfied with the resolution by the Board of Equalization may appeal the decision to the Missouri State Tax Commission. Any decision of the Missouri State Tax Commission may be reviewed by a court of law.

As assessed valuations increase tax rate ceilings generally decrease depending on the amount of the increase to produce substantially the same amount of revenue as allowed in the prior year. See *Appendixes I* and *II* for a more detailed summary of the changes in assessed valuation by type of taxing authority, and *Appendixes III* and *IV* for a detailed summary of changes in tax rate ceilings by type of taxing authority.

In addition, *Appendix V* is a map that provides a statewide geographical perspective of county valuation growth due to new construction growth and reassessment from 2007 to 2008. Also, *Appendix VI* is a map that reflects the inflationary change in each county's valuation from the previous year. A significant inflationary change generally indicates a major reassessment occurred.

Organization of Report Content

Taxing authorities are listed by primary county and categorized by type of taxing authority. The counties are listed alphabetically (Adair through Wright, followed by the City of St. Louis). A taxing authority located in more than one county is listed under the primary county only.

The assessed valuations presented for taxing authorities, except school districts, include all taxable locally assessed and state assessed property. The assessed valuations presented for school districts include only taxable locally assessed property. The abated portions of property valuations that are not taxable under various economic development programs are omitted from the taxable assessed valuations used to compute the annual tax rate ceiling.

Sales tax rollbacks required by law for some county levies were not reviewed as part of this report. Sales tax (Proposition C) rollbacks for school levies were subjected to a limited review when it appeared the district waived all or part of the rollback without voter approval in order to generate additional local revenues. See Appendixes VII and VIIIA which indicate the school districts that have either full or partial waivers of Proposition C (sales tax) reductions. A majority of school districts have obtained voter approved waivers of the required sales tax rollback of their property tax including 429 with a full waiver and 48 with a partial waiver.

Notable Issues in 2008

Senate Bill 711 (SB 711) became effective August 28, 2008. SB 711 contains new provisions regarding the tax rate setting process. Changes effective for the 2008 tax rate calculation include a change in the definition of maximum authorized levy for political subdivisions other than school districts and recoupments. SB 711 re-defines the maximum authorized levy for political subdivisions other than school districts as the most recent voter approved rate, as opposed to the greater of the 1984 or the most recent voter approved rate. SB 711 changed recoupment calculations to allow recoupments for a previous year instead of the preceding one to three year period.

Additional changes for implementing SB 711 include (1) new timelines for setting tax rates for taxing authorities partially or wholly in a charter county or the City of St. Louis beginning in 2009; (2) new estimated tax rates to be calculated by taxing authorities and used by the county on assessment notices mailed to tax payers beginning in 2009 for taxing authorities partially or wholly in a charter county or the City of St. Louis and 2011 for all other taxing authorities; (3) changes in calculating tax rate increases approved by voters beginning in 2009; and (4) basing the tax rate ceiling in a reassessment year on the previous year's voluntarily reduced tax rate as opposed to the previous year's tax rate ceiling beginning in 2009.

The ramifications of this legislation are not determinable at this point and will need to be reviewed further since the effects fall beyond the calculation of the setting of the 2008 property tax rates.

State law allows the tax rate ceiling to be revised to compensate for reductions in assessments from decisions of the State Tax Commission or a judicial court or from clerical corrections. After making revisions, a political subdivision may be permitted to levy an additional tax for up to 3 years to recoup the revenues it was entitled to receive for the preceding 1-3 year period affected by the revisions. Nine taxing authorities recalculated and recouped lost revenues for their levies for the prior 3 years.

Table 1.1 summarizes voluntary reductions taken under the four-rate system. Although the majority of levies under the four-rate system did not have voluntary reductions, under current statutory guidance available, any and all voluntary reductions are allowable.

Table 1.1 Summary of Voluntary Reductions Taken Under the Four-Rate System

Description	# of Levies	Percentage
Voluntarily rolled back each subclass to zero	30	11%
Voluntarily rolled back to levy a single rate on all property	16	6%
Voluntarily rolled back but did not levy a single rate on all property	47	18%
No voluntary reduction taken on any subclass of property	170	65%
Total	263	100%

Source: Tax rate computational forms submitted by taxing entities

Tax Rates Levied in Excess of the Tax Rate Certified

In compliance with Section 137.073.6(2), RSMo, as reenacted by SB 711, 36 taxing authorities were referred to the Attorney General's Office. Four taxing authorities revised their tax rates to comply with the state law after being referred to the Attorney General's Office. Twenty-four taxing authorities, listed in Table 1.2, levied a non-compliant rate due to a dispute in ballot interpretation. Table 1.2 lists 8 taxing authorities that levied 13 tax rates in excess of the legally permissible tax levy provided by state law. Excess taxes levied totaled \$994,924.

Table 1.2: Listing of Taxing Authorities Levying an Excess Tax Rate

County	Political Subdivision	Levy Purpose	Assessed Valuation	(1) Certified Rate	Actual Rate Levied	(2) Excess Revenue
Ray	City of Camden	Streets	\$ 1,351,748	0.0100	1.3927	18,691
		Fire	1,351,748	0.1500	0.1997	672
St. Louis	City of Cool Valley	General Revenue				
	Personal Property		3,877,299	0.1650	0.1910	1,008
St. Louis	City of Ferguson	General Revenue				
	Agricultural Real Estate		13,760	0.2610	0.2620	0
St. Louis	City of Huntleigh	General Revenue				
	Agricultural Real Estate		11,820	0.1600	0.1970	4
St. Louis	Clayton School District	Operating Funds				(3)
	Residential Real Estate		525,645,220	2.8592	2.8972	199,745 (4)
	Commercial Real Estate		439,413,840	3.1957	3.2345	170,493
	Personal Property		101,999,390	3.3945	3.4356	41,922
St. Louis	Monarch Fire Protection District	General Revenue				
	Agricultural Real Estate		2,189,300	0.5300	0.7000	3,722
	Commercial Real Estate		518,807,859	0.5300	0.5420	62,257
	Personal Property		336,668,853	0.5300	0.5490	63,967
St. Louis	Monarch Fire Protection District	Dispatch				
	Agricultural Real Estate		2,189,300	0.0480	0.0500	44
	Personal Property Real Estate		336,668,853	0.0480	0.0500	6,733
St. Louis	Northeast Ambulance & FPD	General Revenue				(4)
	Residential Real Estate		153,615,160	1.2877	1.5000	326,125
	Agricultural Real Estate		16,560	1.3427	1.5000	26
St. Louis	Northeast Ambulance & FPD	Ambulance				58,374 (4)
	Residential Real Estate		153,615,160	0.2620	0.3000	5
	Agricultural Real Estate		16,560	0.2700	0.3000	2,789
	Commercial Real Estate		27,886,752	0.2900	0.3000	3,708

	Personal Property		37,080,895	0.2900	0.3000	
St. Louis	Northeast Ambulance & FPD	Pension				(4)
	Residential Real Estate		153,615,160	0.0860	0.1000	21,506
	Agricultural Real Estate		16,560	0.0840	0.0900	1
St. Louis	Northeast Ambulance & FPD	Dispatch				(4)
	Residential Real Estate		153,615,160	0.0430	0.0500	10,753
	Agricultural Real Estate		16,560	0.0420	0.0460	1
St. Louis	Village of Velda Village Hills	General Revenue				(4)
	Residential Real Estate		5,390,570	0.2820	0.3200	2,048
	Commercial Real Estate		246,012	0.3560	0.4900	330
Total						\$994,924 (5)

Source: Tax rate computational forms submitted by taxing entities

- (1) The Certified Rate column represents the rates determined to be legally permissible based on the information submitted by the taxing authority.
- (2) The excess tax revenue is computed by multiplying the excess tax rate (actual rate levied minus the certified rate) by the assessed valuation and dividing by 100.
- (3) Clayton School District disputes the State Auditor's implementation of the Missouri Attorney General's (AG) Opinion No. 107, 2003, to McCaskill, as applied to the recalculation and recoupment of lost revenues from the 2003 tax rates. The school district had a voter approved increase to its tax rate that was added to the tax rate ceiling valid on the date of the election as per the AG Opinion, but the school district contends that the increase should be added to the revised tax rate that would have been valid on the date of the election.
- (4) Also levied an excessive tax rate in 2007.
- (5) Twenty-four taxing authorities levied a non-compliant rate due to a dispute in ballot interpretation. Each had a ballot approving a rate equal to a fraction of a cent instead of a rate approved in whole cents.

<u>County</u>	<u>Political Subdivision</u>	<u>Purpose</u>	<u>Rate Authorized on Ballot</u>	<u>Rate Certified</u>	<u>Rate Levied</u>	<u>Excess Revenue</u>
Camden	Osage Beach Fire	General Revenue	.5934 cents	\$0.0059	\$0.5934	\$2,653,879
Carroll	Cherry Valley Township	Special Road & Bridge	.35 cents	0.0035	0.3500	3,940
	Eugene Township	Special Road & Bridge	.35 cents	0.0035	0.3500	24,826
	Hill Township	Special Road & Bridge	.24 cents	0.0024	0.2400	15,562
	Hurricane Township	Special Road & Bridge	.35 cents	0.0035	0.3500	26,454
	Prairie Township	Special Road & Bridge	.35 cents	0.0035	0.3500	13,916
	Ridge Township	Special Road & Bridge	.24 cents	0.0024	0.2400	21,727
	Sugartree Township	Special Road & Bridge	.35 cents	0.0035	0.3500	5,670
Christian	Christian County	Senior Services	.05 cents	0.0005	0.0462	429,287
Clark	Clark County	Special Road & Bridge	.35 cents	0.0035	0.3500	263,108
Daviess	Colfax Township	Special Road & Bridge	.25 cents	0.0025	0.2500	14,004
	Grand River Township	Special Road & Bridge	.35 cents	0.0035	0.3500	15,228
	Jackson Township	Special Road & Bridge	.35 cents	0.0035	0.3500	15,636
	Jefferson Township	Special Road & Bridge	.35 cents	0.0035	0.3500	17,787
	Lincoln Township	Special Road & Bridge	.20 cents	0.0020	0.2000	8,274
	Marion Township	Special Road & Bridge	.35 cents	0.0035	0.3500	15,195
	Monroe Township	Special Road & Bridge	.35 cents	0.0035	0.3500	10,483
	Daviess County	Senior Services	.05 cents	0.0005	0.0500	50,827
Henry	Henry County	Senior Services	.05 cents	0.0005	0.0500	138,969
Lafayette	Alma Spec Rd Dist	Special Road & Bridge	.30 cents	0.0030	0.2600	28,473
	Concordia Spec Rd Dist	Special Road & Bridge	.33 cents	0.0033	0.3300	144,919
	Corder Spec Rd Dist	Special Road & Bridge	.30 cents	0.0030	0.3000	26,588
	Mayview Spec Rd Dist	Special Road & Bridge	.25 cents	0.0025	0.2500	30,763
	Lafayette County	2-W Common Rd Dist	.33 cents	0.0033	0.3300	129,824

APPENDIXES

SUMMARY OF CHANGES IN ASSESSED VALUATION FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax	Number of Tax Rates			
			With Increases In Assessed Valuation	With Decreases In Assessed Valuation	With No Change In Assessed Valuation	Other (1)
Ambulance Districts	106	112	97	12	0	3
Hospitals	13	13	10	3	0	0
Nursing Home Districts	29	31	27	2	0	2
Public Water Supply District	1	1	1	0	0	0
Soil and Water Conservation Subdistricts	28	28	20	5	3	0
Drainage and Levee Districts	2	2	0	2	0	0
Special Road Districts	218	285	168	82	0	35
Municipalities	761	1,322	756	451	0	115
Tax Supported Public Libraries	79	87	71	10	0	6
Townships	312	822	593	173	0	56
Fire Protection Districts	343	427	329	59	0	39
Sewer Districts	9	10	5	4	0	1
Miscellaneous	26	30	21	7	0	2
Regional Recreational District	1	1	1	0	0	0
Community Improvement Districts	2	2	0	1	0	1
Health Centers	89	89	83	6	0	0
Special Road District Subdistrict	1	1	1	0	0	0
Transportation Development District	1	1	0	1	0	0
Junior Colleges	12	16	12	1	0	3
School Districts	499	846	480	49	1	316
Special School Districts	2	3	2	0	0	1
Counties	114	410	372	29	0	9
Totals	2,648	4,539	3,049	897	4	589

(1) This column includes those levies for which only the current year's assessed valuation was used in the computation of the 2008 tax rate (i.e. debt service levies, newly voted levies, and levies voted to replace expired levies), and dissolving levies. Debt service levies are included in this column because they are not subject to the Hancock limitations.

SUMMARY OF CHANGES IN ASSESSED VALUATION FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Number of Tax Rates												Other (1)
			With Increases In Assessed Valuation				With Decreases In Assessed Valuation				With No Change In Assessed Valuation				
			Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	
Municipalities	83	128	60	2	42	52	46	8	66	47	2	98	0	9	20
Tax Supported Public Libraries	4	5	4	0	3	3	0	1	1	1	0	3	0	0	1
Fire Protection Districts	22	95	71	15	34	44	11	27	48	38	0	40	0	0	13
Sewer Districts	23	23	16	0	16	11	7	4	7	12	0	19	0	0	0
Street Light Maintenance Districts	4	4	2	0	4	3	2	0	0	1	0	4	0	0	0
Miscellaneous	10	10	5	0	4	1	0	1	6	0	5	9	0	9	0
Community Improvement Districts	2	3	0	0	1	0	1	0	0	0	1	2	1	2	1
School Districts	22	43	17	2	12	14	6	3	11	9	0	18	0	0	20
County	1	5	4	0	4	4	0	4	0	0	0	0	0	0	1
Totals	171	316	179	19	120	132	73	48	139	108	8	193	1	20	56

(1) This column includes those levies for which only the current year's assessed valuation was used in the computation of the 2008 tax rate (i.e. debt service levies, newly voted levies, and levies voted to replace expired levies), and dissolving levies. Debt service levies are included in this column because they are not subject to the Hancock limitations.

Res. Residential real estate
 Ag. Agricultural real estate
 Com. Commercial real estate
 PP. Personal property

SUMMARY OF CHANGES IN TAX RATE CEILINGS FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Ceilings Same as Prior Year	Ceilings Revised Upward	Ceilings Revised Downward	Revised Due to An Election (1)	Other (2)	Debt Service Levies
Ambulance Districts	106	112	58	48	2	1	2	1
Hospitals	13	13	6	7	0	0	0	0
Nursing Home Districts	29	31	15	13	1	0	0	2
Public Water Supply District	1	1	0	1	0	0	0	0
Soil and Water Conservation Subdistrict	28	28	14	9	5	0	0	0
Drainage and Levee Districts	2	2	0	2	0	0	0	0
Special Road Districts	218	285	127	120	3	0	33	2
Municipalities	761	1,322	405	748	52	2	24	91
Tax Supported Public Libraries	79	87	37	42	2	0	1	5
Townships	312	822	462	228	73	3	46	10
Fire Protection Districts	343	427	205	150	22	11	6	33
Sewer Districts	9	10	2	7	0	0	0	1
Miscellaneous	26	30	15	15	0	0	0	0
Regional Recreational District	1	1	0	1	0	0	0	0
Community Improvement Districts	2	2	1	0	0	0	1	0
Health Centers	89	89	0	0	0	0	89	0
Special Road District Subdistrict	1	1	0	0	1	0	0	0
Transportation Development District	1	1	1	0	0	0	0	0
Junior Colleges	12	16	4	7	2	0	0	3
School Districts	499	846	63	229	139	99	1	315
Special School Districts	2	3	2	0	0	0	0	1
Counties	114	410	196	192	13	0	6	3
Totals	2,648	4,539	1,613	1,819	315	116	209	467

(1) This column includes levies that existed in prior years and were revised due to an election. This column also includes school levies that increased due to the school board's election to implement Missouri Constitutional Amendment No. 2 approved by voters on November 3, 1998, which allows school districts to levy a minimum of \$2.7500 by school board action alone.

(2) This column includes all newly voted levies for which adjustments were made based on information received from the taxing authorities or to rename levies for consistency purposes.

SUMMARY OF CHANGES IN TAX RATE CEILINGS FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Type of Taxing Authority	Number of Taxing Authorities	Number of Tax Rates	Ceilings Same as Prior Year				Ceilings Revised Upward				Ceilings Revised Downward				Revised Due to An Election (1)				Other (2)	Debt Service Levies
			Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.	Res.	Ag.	Com.	PP.		
Municipalities	83	128	37	97	23	107	57	6	81	0	14	5	4	1	0	0	0	0	1	19
Tax Supported Public Libraries	4	5	2	4	1	4	1	0	3	0	1	0	0	0	0	0	0	0	0	1
Fire Protection Districts	22	95	37	61	17	78	29	15	63	0	15	5	1	3	1	1	1	1	0	13
Sewer Districts	23	23	15	19	10	23	7	4	13	0	1	0	0	0	0	0	0	0	0	0
Street Light Maintenance Districts	4	4	1	4	1	4	3	0	2	0	0	0	1	0	0	0	0	0	0	0
Miscellaneous	10	10	4	10	4	10	3	0	5	0	3	0	1	0	0	0	0	0	0	0
Community Improvement Districts	2	3	0	1	2	1	1	0	0	0	1	1	0	1	0	0	0	0	1	0
School Districts	22	43	0	13	1	21	16	6	17	1	4	2	3	0	3	2	2	1	0	20
County	1	5	1	4	0	4	0	0	4	0	3	0	0	0	0	0	0	0	0	1
Totals	171	316	97	213	59	252	117	31	188	1	42	13	10	5	4	3	3	2	2	54

(1) This column includes levies that existed in prior years and were revised due to an election. This column also includes school levies that increased due to the school board's election to implement Missouri Constitutional Amendment No. 2 approved by voters on November 3, 1998, which allows school districts to levy a minimum of \$2.7500 by school board action alone.

(2) This column includes all newly voted levies for which adjustments were made based on information received from the taxing authorities or to rename levies for consistency purposes.

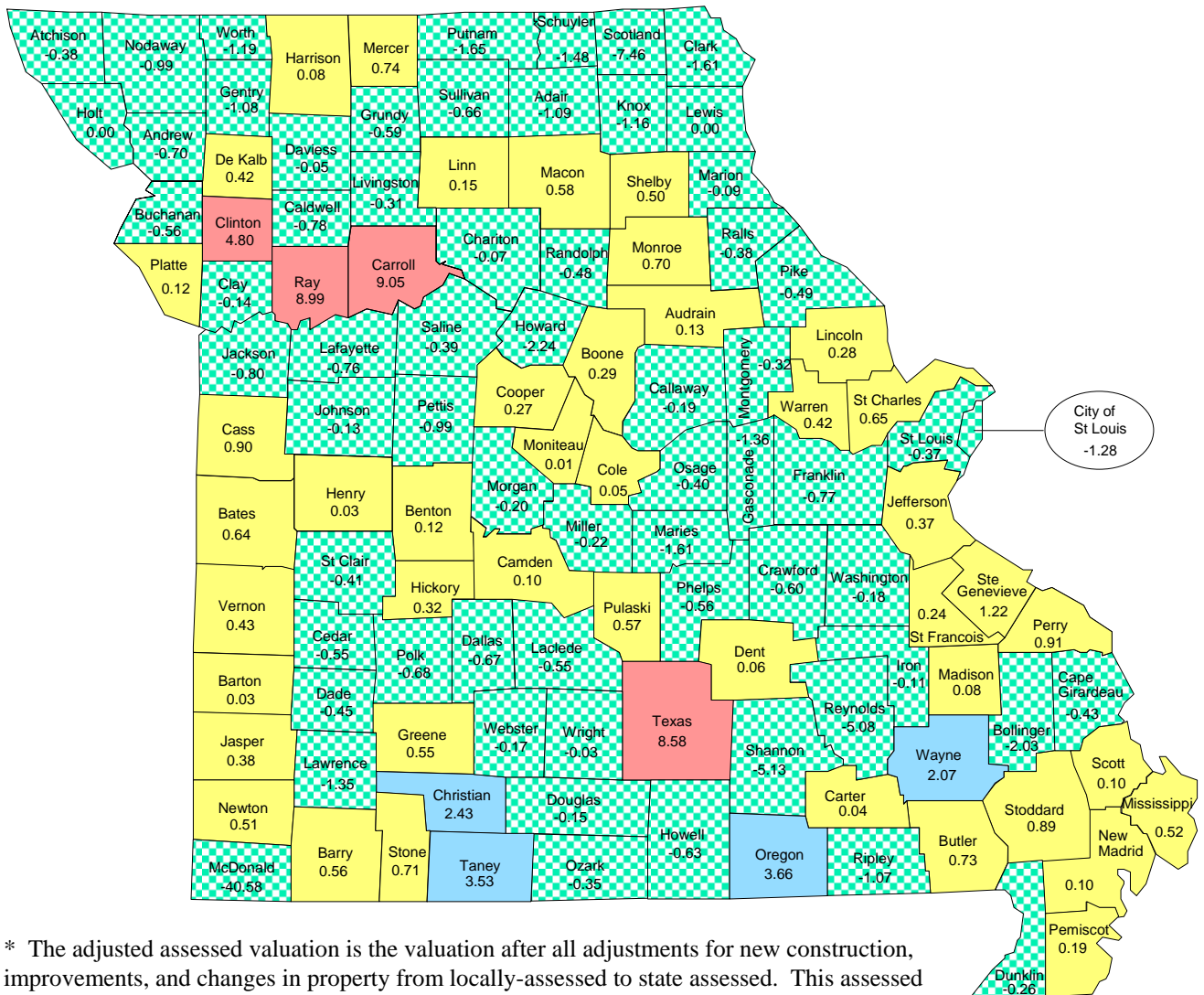
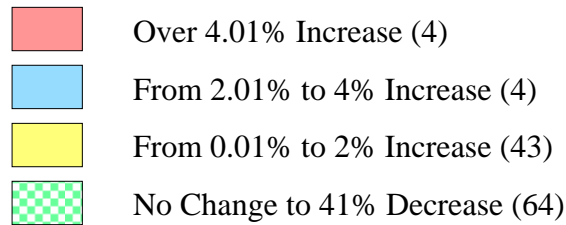
Res. Residential real estate

Ag. Agricultural real estate

Com. Commercial real estate

PP. Personal property

2007 – 2008 PERCENTAGE CHANGE IN ADJUSTED ASSESSED VALUATIONS*



LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Adair</u>									
Adair County Ambulance District	General Revenue	0	0.0000	0.0000	243,798,349	0.0000	0.0000	0	
Twin Pines Adult Care Center	General Revenue	238,619,984	0.1477	0.1477	238,849,923	0.1495	0.1495	357,081	
City of Brashear	Fire	1,040,449	0.2635	0.2635	1,251,209	0.2427	0.2427	3,037	2008
	General Revenue-Temp	1,040,449	1.2120	1.2120	**	**	**		2007
	General Revenue-Temp	**	**	**	1,251,209	1.3800	1.3800	17,267	A 2011
City of Kirksville	General Revenue	155,750,817	0.6393	0.6393	154,527,447	0.6521	0.6521	1,007,673	
City of Novinger	General Revenue	1,837,122	0.4600	0.4600	1,888,330	0.4639	0.4635	8,752	
	General Revenue-Temp	1,837,122	0.3500	0.3500	**	**	**		2007
Village of Gibbs Village	General Revenue	417,004	0.8320	0.8320	419,063	0.8318	0.8318	3,486	
Adair County Public Library	General Revenue	243,233,734	0.1477	0.1477	243,798,349	0.1493	0.1493	363,991	
Adair County Health Department	General Revenue	**	**	**	243,798,349	0.1992	0.1992	485,646	
Adair Co. R-I School District	Operating Funds-Schools	12,820,633	3.7041	3.7041	E 13,142,329	3.7244	3.7244	489,473	E
	Debt Service	12,820,633	0.5938	0.3914	E 13,142,329	0.5911	0.3914	51,439	E
Kirksville R-III School District	Operating Funds-Schools	194,510,475	3.2630	3.2630	E 195,091,918	3.2975	3.2975	6,433,156	E
	Debt Service	194,510,475	0.8190	0.8190	E 195,091,918	1.4014	0.8190	1,597,803	E
Adair Co. R-II School District	Operating Funds-Schools	11,025,826	3.6355	3.6355	E 11,312,963	3.6393	3.6393	411,713	E
	Debt Service	11,025,826	0.9130	0.5445	E 11,312,963	0.8658	0.5407	61,169	E
Adair County	General Revenue	243,233,734	0.3570	0.0000	243,798,349	0.3609	0.0000	0	
	Road & Bridge	243,233,734	0.2653	0.2653	243,798,349	0.2682	0.2682	653,867	
	Health	243,233,734	0.1970	0.1970	**	**	**		
	Developmentally Disabled	243,233,734	0.1477	0.1477	243,798,349	0.1493	0.1493	363,991	
<u>Andrew</u>									
Andrew County Ambulance District	General Revenue	186,100,609	0.2686	0.2686	187,522,164	0.2705	0.2705	507,247	
Andrew County Nursing Home District	General Revenue	193,969,965	0.0897	0.0300	195,370,522	0.0903	0.0300	58,611	
City of Bolckow	General Revenue	789,643	0.8519	0.8519	820,677	0.8519	0.8519	6,991	
Village of Cosby	General Revenue	628,210	0.5111	0.5111	595,763	0.5390	0.5390	3,211	
Village of Country Club	General Revenue	30,520,380	0.3986	0.3986	31,123,152	0.3986	0.3986	124,057	
City of Fillmore	General Revenue	802,520	0.7106	0.7106	798,638	0.7155	0.7155	5,714	
	Debt Service	802,520	0.6090	0.6090	798,638	0.5979	0.5979	4,775	
Village of Rea	General Revenue	327,164	0.3238	0.3238	329,527	0.3238	0.3238	1,067	
Village of Rosendale	General Revenue	503,106	0.9899	0.9899	497,630	1.0000	1.0000	4,976	
City of Savannah	General Revenue	47,316,724	0.4407	0.4407	46,358,136	0.4534	0.4534	210,188	
	Parks & Recreation	47,316,724	0.2812	0.2812	46,358,136	0.2893	0.2893	134,114	
	Debt Service	47,316,724	0.1692	0.1692	46,358,136	0.1437	0.1437	66,617	
City of Amazonia	General Revenue	1,245,752	0.7648	0.7648	1,212,758	0.7856	0.7856	9,527	
Bolckow Fire District	General Revenue	6,181,979	0.3000	0.3000	6,314,803	0.3000	0.3000	18,944	
Rosendale Fire District	General Revenue	10,091,819	0.3500	0.3500	10,338,734	0.3500	0.3500	36,186	
Fillmore Fire Protection District	General Revenue	6,667,997	0.4500	0.4500	6,746,545	0.4500	0.4500	30,359	
Savannah Fire Protection District	General Revenue	83,006,582	0.5650	0.5650	85,625,462	0.5650	0.5650	483,784	
Village of Country Club FPD	General Revenue	18,318,660	1.0446	0.6600	18,491,253	1.0464	0.6600	122,042	
Cosby-Helena Fire Protection Dist	General Revenue	15,800,765	0.3000	0.2500	16,383,629	0.3000	0.2500	40,959	
Andrew County Health Department	General Revenue	**	**	**	195,370,522	0.0903	0.0903	176,420	
North Andrew Co. R-VI School Dist	Operating Funds-Schools	16,441,690	4.7194	4.5044	E 17,068,440	4.8443	4.6044	785,899	E
Avenue City R-IX School District	Operating Funds-Schools	15,367,825	3.7123	3.7123	E 16,029,295	3.7220	3.7220	596,610	E
	Debt Service	15,367,825	0.9630	0.9500	E 16,029,295	1.0815	0.9500	152,278	E
Savannah R-III School District	Operating Funds-Schools	143,869,687	4.1506	4.1506	BE 144,694,276	4.1506	4.1506	6,005,681	E
Andrew County	General Revenue	193,969,965	0.3235	0.1912	195,370,522	0.3258	0.2153	420,633	
	Johnson Grass	193,969,965	0.0270	0.0250	195,370,522	0.0272	0.0250	48,843	
	Road & Bridge	193,969,965	0.2517	0.2517	195,370,522	0.2535	0.2535	495,264	
	Special Road and Bridge	193,969,965	0.2444	0.2444	195,370,522	0.2461	0.2461	480,807	2008

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Andrew</u>										
Andrew County	Health	193,969,965	0.0897	0.0897	**	**	**			
	Developmentally Disabled	193,969,965	0.0807	0.0807	195,370,522	0.0813	0.0813	158,836		
	Senior Services	193,969,965	0.0285	0.0285	195,370,522	0.0287	0.0287	56,071		
<u>Atchison</u>										
Atchison-Holt Ambulance District	General Revenue	170,325,868	0.2997	0.2997		182,224,401	0.3000	0.3000	546,673	
Langdon Spec Road Dist Atchison Co	Special Road and Bridge	2,774,557	0.3500	0.3500		2,737,843	0.3500	0.3500	9,582	2008
Tarkio Spec Road Dist Atchison Co	Special Road and Bridge	18,065,377	0.3500	0.3500	A	20,057,940	0.3500	0.3500	70,203	2010
Watson Spec Road Dist Atchison Co	Special Road and Bridge	3,687,948	0.3500	0.1500		3,795,911	0.3500	0.3500	13,286	2008
General Road District	Special Road and Bridge	57,495,985	0.3500	0.3500	A	65,174,367	0.3500	0.3500	228,110	2010
City of Fairfax	General Revenue	3,661,738	0.7914	0.7914		3,657,528	0.7939	0.7939	29,037	
	Parks & Recreation	3,661,738	0.1954	0.1954		3,657,528	0.1960	0.1960	7,169	
	Street Lights	3,661,738	0.2365	0.2365		3,657,528	0.2373	0.2373	8,679	
City of Rock Port	General Revenue	9,713,911	0.8681	0.8681		10,408,075	0.8838	0.8838	91,987	
	Parks & Recreation	9,713,911	0.3472	0.3472		10,408,075	0.3535	0.3535	36,793	
City of Tarkio	General Revenue	11,947,798	0.7818	0.7818		11,893,143	0.7863	0.7863	93,516	
	Parks & Recreation	11,947,798	0.3026	0.3026		11,893,143	0.3043	0.3043	36,191	
	Lights	11,947,798	0.6450	0.6450		11,893,143	0.6487	0.6487	77,151	
Village of Watson	Debt Service	11,947,798	0.3239	0.3239		11,893,143	0.4527	0.4527	53,840	
	General Revenue	402,401	0.5000	0.5000		418,195	0.5000	0.5000	2,091	
	General Revenue-Temp	402,401	0.3000	0.3000		418,195	0.3000	0.3000	1,255	2008
City of Westboro	General Revenue	773,362	1.0000	1.0000		815,776	1.0000	1.0000	8,158	
	Lights	773,362	0.2500	0.2500		815,776	0.2500	0.2500	2,039	
	Streets	773,362	0.9000	0.9000		815,776	0.9000	0.9000	7,342	
	Debt Service	773,362	2.0526	2.0526		815,776	1.7851	1.7851	14,562	
Atchison County Library	General Revenue	86,490,665	0.2985	0.2985		96,487,553	0.2996	0.2996	289,077	
Fairfax Rural Fire District	General Revenue	12,220,896	0.4000	0.4000		12,043,910	0.4000	0.4000	48,176	
Tarkio Rural Fire District	General Revenue	12,080,236	0.4000	0.4000		14,582,175	0.4000	0.4000	58,329	
West Atchison Rural Fire Prot Dist	General Revenue	21,566,975	0.2500	0.2500		28,353,137	0.2500	0.2500	70,883	
Westboro Fire Protection District	General Revenue	7,579,627	0.3391	0.3391		7,669,288	0.3405	0.3405	26,114	
Atchison County Health Department	General Revenue	**	**	**		96,487,553	0.1000	0.1000	96,488	
Tarkio R-I School District	Operating Funds-Schools	28,186,872	3.7360	3.7360	E	54,376,352	3.6769	3.6769	1,999,364	E
Rock Port R-II School District	Operating Funds-Schools	33,543,747	3.6228	3.6228	E	39,930,232	3.7110	3.7110	1,481,811	E
Fairfax R-III School District	Operating Funds-Schools	15,434,323	3.6844	3.6729	E	15,802,889	3.6927	3.6729	580,424	E
	Operating Funds-Temp	15,442,333	0.6500	0.6500	AE	15,802,889	0.6500	0.6500	102,719	E 2009
Atchison County	General Revenue	86,490,665	0.4974	0.4974		96,487,553	0.4993	0.4993	481,762	
	Solid Waste Landfill	86,490,665	0.0995	0.0000		96,487,553	0.0999	0.0000	0	
	Road & Bridge	86,490,665	0.4974	0.4974		96,487,553	0.4993	0.4993	481,762	
	Health	86,490,665	0.0497	0.0497		**	**	**		
	Senate Bill 40	86,490,665	0.0995	0.0995		96,487,553	0.0999	0.0999	96,391	
	Senior Services	86,490,665	0.0497	0.0497		96,487,553	0.0499	0.0499	48,147	
<u>Audrain</u>										
Van-Far Ambulance District	General Revenue	41,469,274	0.2939	0.2939		41,973,153	0.2939	0.2939	123,359	
Mexico Ambulance District	General Revenue	**	**	**		186,664,244	0.3000	0.3000	559,993	A
Tri County Nursing Home District	General Revenue	45,294,905	0.2458	0.2458		45,653,711	0.2458	0.2458	112,217	
Laddonia Farber Spec Rd Audrain Co	Special Road and Bridge	36,767,560	0.3500	0.3500		14,550,502	0.3500	0.3500	50,927	2009
Saling Spec Rd Dist #2 Audrain Co	Special Road and Bridge	7,285,375	0.3500	0.3500	A	10,647,811	0.3500	0.3500	37,267	2010
Vandalia Special Rd Dist Audrain Co	Special Road and Bridge	32,735,776	0.3427	0.3427		**	**	**		2007
	Special Road and Bridge	**	**	**		33,361,690	0.3500	0.3500	116,766	A 2011
Village of Benton City	General Revenue	757,473	0.3806	0.3806		765,086	0.3837	0.3837	2,936	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Audrain</u>									
City of Farber	General Revenue	2,078,358	0.6711	0.6700	2,095,748	0.6711	0.6711	14,065	
	Lights	2,078,358	0.3158	0.3100	2,095,748	0.3158	0.3158	6,618	
City of Laddonia	General Revenue	26,430,096	0.6989	0.6989	3,871,263	0.7065	0.7065	27,350	
	Lights	26,430,096	0.4152	0.2500	3,871,263	0.4197	0.2500	9,678	
City of Martinsburg	General Revenue	3,317,092	0.5177	0.5177	3,361,313	0.5177	0.5177	17,402	
City of Mexico	General Revenue	131,532,476	0.3949	0.3949	140,441,721	0.3949	0.3949	554,604	
	Parks & Recreation	131,532,476	0.1921	0.1921	140,441,721	0.1921	0.1921	269,789	
	Health	131,532,476	0.1921	0.1921	140,441,721	0.1921	0.1921	269,789	
Village of Rush Hill	General Revenue	575,530	0.4068	0.4068	595,868	0.4097	0.4097	2,441	
City of Vandalia	General Revenue	18,313,166	0.6992	0.6992	18,560,270	0.7002	0.7002	129,959	
	Parks & Recreation	18,313,166	0.1628	0.1628	18,560,270	0.1630	0.1630	30,253	
Village of Vandiver	General Revenue	2,429,566	0.5000	0.2900	2,464,045	0.5000	0.2900	7,146	
Mexico Audrain County Library Dist	General Revenue	317,274,213	0.2066	0.2066	321,120,958	0.2066	0.2066	663,436	
Little Dixie Fire District	General Revenue	82,177,220	0.3687	0.3687	90,402,268	0.3749	0.3749	338,918	
Martinsburg Area Fire Prot Dist	Fire	14,164,208	0.1969	0.1969	14,375,548	0.1969	0.1969	28,305	
Community R-VI School District	Operating Funds-Schools	48,439,454	3.5255	3.4500	E 26,297,966	3.9008	3.4506	907,438	E
	Debt Service	48,439,454	0.5110	0.4500	E 26,297,966	1.4374	0.5494	144,481	E
Van-Far R-I School District	Operating Funds-Schools	39,490,555	3.4956	3.4956	E 39,993,716	3.4769	3.4769	1,390,542	E
	Debt Service	39,490,555	0.5168	0.5168	E 39,993,716	0.5393	0.5355	214,166	E
Mexico 59 School District	Operating Funds-Schools	175,485,212	3.3540	2.7707	184,823,414	3.3479	2.8156	5,203,888	
	Debt Service	175,485,212	0.6844	0.5877	184,823,414	0.6040	0.5877	1,086,207	
Audrain County	General Revenue	317,274,213	0.3749	0.1891	321,120,958	0.3749	0.1922	617,194	
	Road & Bridge	317,274,213	0.2811	0.2811	321,120,958	0.2811	0.2811	902,671	
	Common Road District	74,754,178	0.3444	0.3444	85,747,642	0.3444	0.3444	295,315	2008
	Hospital	317,274,213	0.1770	0.1770	321,120,958	0.1770	0.1770	568,384	
	Senate Bill 40	317,274,213	0.2051	0.2051	321,120,958	0.2051	0.2051	658,619	
<u>Barry</u>									
Barry-Lawrence Co Ambulance Dist	General Revenue	224,677,634	0.1225	0.1225	226,317,295	0.1231	0.1231	278,597	
South Barry County Ambulance Dist	General Revenue	241,158,680	0.0798	0.0700	252,162,387	0.0798	0.0798	201,226	
South Barry Co Memorial Hospital	General Revenue	234,825,912	0.0898	0.0898	245,577,687	0.0898	0.0898	220,529	
Ash Special Road Dist Barry Co	Road & Bridge	4,301,408	0.1590	0.1590	4,447,476	0.1590	0.1590	7,071	
	Special Road and Bridge	4,301,408	0.1260	0.1260	**	**	**		2007
	Special Road and Bridge	**	**	**	4,447,476	0.1300	0.1300	5,782	A 2011
Butterfield Sp Rd Dist Barry Co	Road & Bridge	15,220,101	0.1659	0.1659	16,527,566	0.1699	0.1699	28,080	
	Special Road and Bridge	15,220,101	0.1300	0.1300	**	**	**		2007
	Special Road and Bridge	**	**	**	16,527,566	0.1300	0.1300	21,486	A 2011
Capps Creek Sp Rd Dist Barry Co	Road & Bridge	7,209,736	0.2810	0.2810	7,279,400	0.2869	0.2869	20,885	
Corsicana Special Rd Dist Barry Co	Road & Bridge	4,075,050	0.1825	0.1825	4,139,082	0.1855	0.1855	7,678	
	Special Road and Bridge	4,075,050	0.1285	0.1285	**	**	**		2007
	Special Road and Bridge	**	**	**	4,139,082	0.1300	0.1300	5,381	A 2011
Crane Creek Spec Rd Dist Barry Co	Road & Bridge	6,674,907	0.2006	0.2006	6,794,156	0.2010	0.2010	13,656	
Exeter Spec Rd Dist Barry Co	Road & Bridge	15,366,648	0.1834	0.1834	15,470,746	0.1841	0.1841	28,482	
	Special Road and Bridge	15,366,648	0.1300	0.1300	15,470,746	0.1300	0.1300	20,112	2008
Flat Creek Spec Rd Dist Barry Co	Road & Bridge	64,862,711	0.1473	0.1473	68,607,946	0.1473	0.1473	101,060	
	Special Road and Bridge	64,862,711	0.1300	0.1300	**	**	**		2007
	Special Road and Bridge	**	**	**	68,607,946	0.1300	0.1300	89,190	A 2011
Greasy Creek Sp Rd Dist 35 Barry Co	Road & Bridge	2,074,610	0.1715	0.1715	2,174,500	0.1715	0.1715	3,729	
	Special Road and Bridge	2,074,610	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,174,500	0.3500	0.3500	7,611	A 2011
Jenkins Spec Road Dist 20 Barry Co	Road & Bridge	2,773,191	0.1974	0.1974	4,056,874	0.1407	0.1407	5,708	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Barry</u>									
Kings Prairie Sp Rd Dist Barry Co	Road & Bridge	8,893,503	0.1990	0.1990	9,362,495	0.1990	0.1990	18,631	
	Special Road and Bridge	8,893,503	0.1295	0.1295	**	**	**		2007
	Special Road and Bridge	**	**	**	9,362,495	0.1300	0.1300	12,171	A 2011
Liberty Common Rd Dist 34 Barry Co	Road & Bridge	728,308	0.1146	0.1146	698,037	0.1223	0.1146	800	
McDonald Sp Rd Dist 19 Barry Co	Road & Bridge	3,526,017	0.1543	0.1543	3,455,326	0.1577	0.1577	5,449	
Mineral Spgs Sp Rd Dist 10 Barry Co	Road & Bridge	7,166,556	0.1695	0.1695	7,455,587	0.1695	0.1695	12,637	
	Special Road and Bridge	7,166,556	0.1287	0.1287	**	**	**		2007
	Special Road and Bridge	**	**	**	7,455,587	0.1300	0.1300	9,692	A 2011
Mountain Special Road District #22	Road & Bridge	2,558,256	0.1805	0.1805	2,697,417	0.1805	0.1805	4,869	
Ozark Special Road Dist Barry Co	Road & Bridge	8,369,541	0.1304	0.1304	7,795,714	0.1426	0.1426	11,117	
	Special Road and Bridge	8,369,541	0.1277	0.1277	**	**	**		2007
	Special Road and Bridge	**	**	**	7,795,714	0.1300	0.1300	10,134	A 2011
Pioneer Special Rd Dist 31 Barry Co	Road & Bridge	1,758,028	0.1867	0.1867	1,720,904	0.1910	0.1910	3,287	
	Special Road and Bridge	1,758,028	0.1299	0.1299	**	**	**		2007
	Special Road and Bridge	**	**	**	1,720,904	0.1300	0.1300	2,237	A 2011
Pleasant Ridge Sp Rd 25 Barry Co	Road & Bridge	4,792,461	0.1491	0.1491	4,875,000	0.1491	0.1491	7,269	
	Special Road and Bridge	4,792,461	0.1291	0.1291	**	**	**		2007
	Special Road and Bridge	**	**	**	4,875,000	0.1300	0.1300	6,338	A 2011
Purdy Spec Rd Dist 28 Barry Co	Road & Bridge	16,955,935	0.1900	0.1900	16,863,876	0.1943	0.1943	32,767	
	Special Road and Bridge	16,955,935	0.1300	0.1300	**	**	**		2007
	Special Road and Bridge	**	**	**	16,863,876	0.1300	0.1300	21,923	A 2011
Roaring River Sp Rd Dist 2 Barry Co	Road & Bridge	20,498,875	0.1367	0.1367	20,838,216	0.1367	0.1367	28,486	
Shell Knob Sp Rd Dist 9 Barry Co	Road & Bridge	24,169,903	0.1612	0.1612	26,149,099	0.1612	0.1612	42,152	
Sugar Creek Sp Rd Dist 3 Barry Co	Road & Bridge	11,508,512	0.1489	0.1489	11,765,265	0.1489	0.1489	17,518	
	Special Road and Bridge	11,508,512	0.1300	0.1300	11,765,265	0.1300	0.1300	15,295	2008
Viola Sp Rd Dist 21 Barry Co	Road & Bridge	27,017,916	0.1253	0.1253	27,818,576	0.1253	0.1253	34,857	
Washburn Sp Rd Dist 4 Barry Co	Road & Bridge	9,759,163	0.1854	0.1854	10,133,341	0.1854	0.1854	18,787	
	Special Road and Bridge	9,759,163	0.1300	0.1300	10,133,341	0.1300	0.1300	13,173	2009
Wheaton Sp Rd Dist 29 Barry Co	Road & Bridge	11,895,556	0.1796	0.1796	12,233,008	0.1796	0.1796	21,970	
	Special Road and Bridge	11,895,556	0.1288	0.1288	**	**	**		2007
	Special Road and Bridge	**	**	**	12,233,008	0.1300	0.1300	15,903	A 2011
White River Sp Rd Dist 7 Barry Co	Road & Bridge	22,028,220	0.1308	0.1308	23,124,521	0.1308	0.1308	30,247	
Monett Special Road District	Road & Bridge	110,640,744	0.1652	0.1652	110,991,878	0.1653	0.1653	183,470	
Village of Butterfield	General Revenue	1,466,358	0.4782	0.4782	1,538,375	0.4782	0.4782	7,357	
City of Cassville	General Revenue	37,317,922	0.3804	0.0000	38,775,820	0.3804	0.0000	0	
City of Exeter	General Revenue	3,864,440	0.4144	0.4144	3,907,129	0.4144	0.4144	16,191	
City of Purdy	General Revenue	3,957,178	0.4017	0.4017	4,100,108	0.4017	0.4017	16,470	
City of Seligman	General Revenue	3,734,231	0.2640	0.2640	3,822,048	0.2640	0.2640	10,090	
	Streets	3,734,231	0.1623	0.1623	3,822,048	0.1623	0.1623	6,203	
City of Washburn	General Revenue	2,672,512	0.3522	0.3522	2,621,498	0.3624	0.3624	9,500	
City of Wheaton	General Revenue	3,492,754	0.4456	0.4456	3,693,049	0.4456	0.4456	16,456	
Barry Lawrence Con Library District	General Revenue	814,122,336	0.1740	0.1740	828,502,256	0.1743	0.1743	1,444,079	
Eagle Rock, Golden & Mano Fire Dist	General Revenue	42,562,820	0.2917	0.2917	44,023,047	0.2917	0.2917	128,415	
Central Crossing Fire Prot Dist	General Revenue	71,775,481	0.2725	0.2725	77,661,843	0.2725	0.2725	211,629	
Cassville Fire Protection District	General Revenue	64,896,477	0.3000	0.3000	68,574,381	0.3000	0.3000	205,723	
Butterfield Fire Protection Dist	General Revenue	16,583,327	0.3000	0.3000	A 17,980,168	0.3000	0.3000	53,941	
Exeter Fire Protection District	General Revenue	14,547,106	0.3000	0.3000	A 15,658,241	0.2976	0.2976	46,599	
Seligman Fire Protection District	General Revenue	12,513,931	0.3000	0.3000	A 13,060,708	0.3000	0.3000	39,182	
Purdy Fire Protection District	General Revenue	20,190,034	0.3000	0.3000	A 21,148,872	0.3000	0.3000	63,447	
Jenkins Fire Protection District	General Revenue	**	**	**	12,667,348	0.3000	0.3000	38,002	A
Barry County Health Department	General Revenue	**	**	**	427,622,613	0.0701	0.0701	299,763	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Barry</u>										
Wheaton R-III School District	Operating Funds-Schools	16,717,873	3.8114	2.7500	E	17,182,382	3.8111	2.7500	472,516	E
	Debt Service	16,717,873	1.0271	0.6800	E	17,182,382	0.8235	0.6800	116,840	E
Southwest Barry Co R-V School Dist	Operating Funds-Schools	30,385,776	2.7500	2.7500	F	32,308,993	2.7500	2.7500	888,497	F
	Debt Service	30,385,776	1.4130	0.8500	F	32,308,993	1.2080	0.8500	274,626	F
Exeter R-VI School District	Operating Funds-Schools	12,746,785	3.6807	3.4300	E	12,935,142	3.6830	3.4300	443,675	E
	Debt Service	12,746,785	1.2041	0.6500	E	12,935,142	1.1224	0.6500	84,078	E
Cassville R-IV School District	Operating Funds-Schools	139,533,065	3.0315	2.9500	E	150,725,007	2.9407	2.9407	4,432,370	E
	Debt Service	139,533,065	0.4441	0.3200	E	150,725,007	0.4223	0.3293	496,337	E
Purdy R-II School District	Operating Funds-Schools	23,520,676	2.7500	2.7500	E	24,048,601	2.7500	2.7500	661,337	E
	Debt Service	23,520,676	0.5498	0.6947	ED	24,048,601	0.7767	0.6857	164,901	E
Shell Knob 78 School District	Operating Funds-Schools	50,996,877	3.4310	3.4300	E	54,609,642	3.4371	3.4300	1,873,111	E
Monett R-I School District	Operating Funds-Schools	153,117,357	3.0721	3.0721	E	155,578,805	3.0604	3.0604	4,761,334	E
	Debt Service	153,117,357	0.5647	0.5600	E	155,108,554	0.7416	0.5600	868,608	E
Barry County	General Revenue	415,926,159	0.2201	0.0000		427,622,613	0.2201	0.0000	0	
	Health	415,926,159	0.0701	0.0701		**	**	**		
	Developmentally Disabled	415,926,159	0.0701	0.0700		427,622,613	0.0701	0.0700	299,336	
	Senior Services	415,926,159	0.0500	0.0500		427,622,613	0.0500	0.0500	213,811	
<u>Barton</u>										
Barton County Ambulance District	General Revenue	168,249,950	0.1077	0.0000		186,025,313	0.1077	0.0000	0	
City of Golden City	General Revenue	5,855,874	0.5199	0.5199		5,646,282	0.5413	0.5413	30,563	
	Parks & Recreation	5,855,874	0.1177	0.1177		5,646,282	0.1225	0.1225	6,917	
	Ambulance	5,855,874	0.1472	0.1472		5,646,282	0.1533	0.1533	8,656	
City of Lamar	General Revenue	56,911,773	0.4348	0.4348		70,474,763	0.4348	0.4348	306,424	
	Parks & Recreation	56,911,773	0.1353	0.1353		70,474,763	0.1353	0.1353	95,352	
	Memorial Fund	56,911,773	0.1353	0.1353		70,474,763	0.1353	0.1353	95,352	
City of Liberal	General Revenue	3,819,835	0.5414	0.5414		3,848,095	0.5506	0.5506	21,188	
City of Mindenmines	Debt Service	1,273,620	0.7220	0.7220		1,243,060	0.7632	0.7632	9,487	
Town of Burgess	General Revenue	**	**	**		**	**	**		
Barton County Library	General Revenue	174,070,532	0.0685	0.0685		191,665,631	0.0685	0.0685	131,291	
	Library	174,070,532	0.0783	0.0783		191,665,631	0.0783	0.0783	150,074	
Barton City Township of Barton Co	General Revenue	3,383,412	0.1000	0.1000		3,405,144	0.1000	0.1000	3,405	
	Road & Bridge	3,383,412	0.2560	0.2500		3,405,144	0.2584	0.2500	8,513	
	Special Road and Bridge	3,383,412	0.2500	0.2500		3,405,144	0.2500	0.2500	8,513	2009
Central Township of Barton County	General Revenue	8,836,167	0.0913	0.0900		8,752,233	0.0931	0.0900	7,877	
	Road & Bridge	8,836,167	0.3554	0.3500		8,752,233	0.3623	0.3500	30,633	
	Special Road and Bridge	8,836,167	0.4700	0.4700		8,752,233	0.4700	0.4700	41,135	2008
City Township of Barton County	General Revenue	54,077,124	0.0853	0.0500		67,452,310	0.0853	0.0500	33,726	
	Road & Bridge	54,077,124	0.1912	0.1700		67,452,310	0.1912	0.1700	114,669	
Doylesport Township of Barton Co	General Revenue	4,117,712	0.1000	0.1000		3,997,054	0.1000	0.1000	3,997	
	Road & Bridge	4,117,712	0.2772	0.2772		3,997,054	0.2862	0.2862	11,440	
	Special Road and Bridge	4,117,712	0.2500	0.2500		3,997,054	0.2500	0.2500	9,993	2008
Golden City Township of Barton Co	General Revenue	11,264,682	0.0891	0.0891		11,236,943	0.0896	0.0896	10,068	
	Road & Bridge	11,264,682	0.2299	0.2299		11,236,943	0.2312	0.2312	25,980	
Lamar Township of Barton County	General Revenue	44,511,463	0.0909	0.0600		48,825,756	0.0910	0.0500	24,413	
	Road & Bridge	44,511,463	0.3231	0.3200		48,825,756	0.3233	0.2500	122,064	
Leroy Township of Barton County	General Revenue	4,504,523	0.0978	0.0978		4,869,465	0.0978	0.0978	4,762	
	Road & Bridge	4,504,523	0.3604	0.3604		4,869,465	0.3604	0.3604	17,550	
	Special Road and Bridge	4,504,523	0.3422	0.3422		**	**	**		2007
Milford Township of Barton County	General Revenue	2,907,765	0.1000	0.0800		2,878,387	0.1000	0.0800	2,303	
	Road & Bridge	2,907,765	0.2619	0.2200		2,878,387	0.2663	0.2200	6,332	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Barton</u>										
Nashville Township of Barton County	General Revenue	5,659,157	0.1000	0.0950		5,495,429	0.1000	0.0950	5,221	2008
	Road & Bridge	5,659,157	0.3717	0.3436		5,495,429	0.3851	0.3436	18,882	
	Special Road and Bridge	5,659,157	0.3700	0.3700		5,495,429	0.3700	0.3700	20,333	
Newport Township of Barton County	General Revenue	3,983,587	0.1000	0.1000		3,834,094	0.1000	0.1000	3,834	2010
	Road & Bridge	3,983,587	0.2516	0.2516		3,834,094	0.2627	0.2516	9,647	
	Special Road and Bridge	3,983,587	0.1000	0.1000	A	3,834,094	0.1000	0.1000	3,834	
North Fork Township of Barton Co	General Revenue	3,618,255	0.1000	0.1000		3,602,102	0.1000	0.1000	3,602	2008
	Road & Bridge	3,618,255	0.3038	0.3000		3,602,102	0.3074	0.3074	11,073	
	Special Road and Bridge	3,618,255	0.2000	0.2000		3,602,102	0.2000	0.2000	7,204	
Ozark Township of Barton County	General Revenue	7,820,216	0.0935	0.0600		7,787,637	0.0952	0.0952	7,414	
	Road & Bridge	7,820,216	0.2390	0.2000		7,787,637	0.2432	0.2432	18,940	
Richland Township of Barton County	General Revenue	8,045,379	0.1000	0.1000		8,086,228	0.1000	0.1000	8,086	2009
	Road & Bridge	8,045,379	0.4323	0.4100		8,086,228	0.4406	0.4100	33,154	
	Special Road and Bridge	8,045,379	0.3900	0.3900		8,086,228	0.3900	0.3900	31,536	
South West Township of Barton Co	General Revenue	6,586,352	0.1000	0.1000		6,565,584	0.1000	0.1000	6,566	
	Road & Bridge	6,586,352	0.3500	0.3500		6,565,584	0.3500	0.3500	22,980	
Union Township of Barton County	General Revenue	4,754,738	0.1000	0.1000		4,877,485	0.1000	0.1000	4,877	
	Road & Bridge	4,754,738	0.4193	0.4193		4,877,485	0.4207	0.4207	20,520	
Golden City Fire Protection Dist	General Revenue	18,473,648	0.0974	0.0974		18,288,436	0.0986	0.0986	18,032	
Barton County Health Department	General Revenue	**	**	**		191,665,631	0.1460	0.1400	268,332	
Liberal R-II School District	Operating Funds-Schools	27,346,980	3.2850	3.1000	E	27,470,160	3.2861	3.2000	879,045	E
	Debt Service	27,346,980	0.4546	0.2849	E	27,470,160	0.5095	0.3849	105,733	E
Golden City R-III School District	Operating Funds-Schools	17,150,310	3.5263	3.4300	E	16,796,600	3.6501	3.4300	576,123	E
Lamar R-I School District	Operating Funds-Schools	111,505,290	3.0590	3.0590	E	122,807,240	3.0540	3.0540	3,750,533	E
	Debt Service	111,505,290	0.4546	0.3500	E	122,807,240	0.4134	0.3414	419,264	E
Barton County	General Revenue	174,070,532	0.2839	0.0500		191,665,631	0.2839	0.0500	95,833	
	Health	174,070,532	0.1460	0.1300		**	**	**		
	Hospital	174,070,532	0.0880	0.0880		191,665,631	0.0880	0.0880	168,666	
<u>Bates</u>										
Cornland Sp Rd Dist Bates Co	Road & Bridge	764,172	0.3482	0.3482		834,399	0.3346	0.3346	2,792	2007
	Special Road and Bridge	764,172	0.1764	0.1764		**	**	**		
	Special Road and Bridge	**	**	**		834,399	0.1764	0.1764	1,472		A
South Hudson Sp Rd Dist Bates Co	Road & Bridge	951,165	0.3500	0.3500		861,952	0.3500	0.3500	3,017	2010
	Special Road and Bridge	951,165	0.2200	0.2200	A	861,952	0.2200	0.2200	1,896	
City of Adrian	General Revenue	12,270,469	0.5446	0.5446		12,408,305	0.5449	0.5449	67,613	
	Parks & Recreation	12,270,469	0.0483	0.0483		12,408,305	0.0483	0.0483	5,993	
City of Amoret	General Revenue	741,789	0.4443	0.4443		785,352	0.4458	0.4458	3,501	
City of Amsterdam	General Revenue	1,328,746	1.0000	1.0000		1,366,874	1.0000	1.0000	13,669	
City of Butler	General Revenue	42,182,814	0.5900	0.5900		42,013,294	0.5955	0.5955	250,189	
	Parks & Recreation	42,182,814	0.0350	0.0350		42,013,294	0.0350	0.0350	14,705	
	Lake	42,182,814	0.0149	0.0149		42,013,294	0.0150	0.0150	6,302	
City of Hume	General Revenue	1,645,875	0.9767	0.9767		1,649,722	0.9934	0.9934	16,388	
	Lights	1,645,875	0.3330	0.3330		1,649,722	0.3387	0.3387	5,588	
	Water	1,645,875	0.4218	0.4218		1,649,722	0.4290	0.4290	7,077	
Village of Merwin	General Revenue	243,719	0.5500	0.5500		238,178	0.5500	0.5500	1,310	
Village of Passaic	General Revenue	163,932	1.0000	1.0000		194,749	1.0000	1.0000	1,947	
City of Rich Hill	General Revenue	6,459,873	0.6304	0.6304		6,640,369	0.6304	0.6304	41,861	
	Parks & Recreation	6,459,873	0.2542	0.2542		6,640,369	0.2542	0.2542	16,880	
	Library	6,459,873	0.2468	0.2468		6,640,369	0.2468	0.2468	16,388	
	Health	6,459,873	0.1322	0.1322		6,640,369	0.1322	0.1322	8,779	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Bates</u>									
City of Rockville	General Revenue	969,034	0.8557	0.8557	949,031	0.8793	0.8793	8,345	
	Streets	969,034	0.3974	0.3974	949,031	0.4000	0.4000	3,796	
Village of Foster	General Revenue	517,892	0.5551	0.5551	515,128	0.5581	0.5581	2,875	
Charlotte Township of Bates County	General Revenue	4,853,631	0.0993	0.0993	4,938,022	0.0993	0.0993	4,903	
	Road & Bridge	4,853,631	0.2824	0.2824	4,938,022	0.2824	0.2824	13,945	
	Special Road and Bridge	4,853,631	0.2184	0.2184	4,938,022	0.2184	0.2184	10,785	2008
Deepwater Township of Bates County	General Revenue	3,864,989	0.0888	0.0888	3,928,306	0.0890	0.0890	3,496	
	Road & Bridge	3,864,989	0.2168	0.2168	3,928,306	0.2172	0.2172	8,532	
	Special Road and Bridge	3,864,989	0.3500	0.3500	A 3,928,306	0.3500	0.3500	13,749	2010
Deer Creek Township of Bates Co	General Revenue	19,993,574	0.0689	0.0689	20,618,451	0.0689	0.0689	14,206	
	Road & Bridge	19,993,574	0.2267	0.2267	20,618,451	0.2267	0.2267	46,742	
East Boone Township of Bates Co	General Revenue	5,812,655	0.0823	0.0823	5,836,192	0.0828	0.0828	4,832	
	Road & Bridge	5,812,655	0.2264	0.2264	5,836,192	0.2278	0.2278	13,295	
	Special Road and Bridge	5,812,655	0.3500	0.3500	A 5,836,192	0.3500	0.3500	20,427	2010
Elkhart Township of Bates County	General Revenue	4,123,820	0.0822	0.0822	4,075,752	0.0832	0.0832	3,391	
	Road & Bridge	4,123,820	0.2260	0.2260	4,075,752	0.2289	0.2289	9,329	
	Special Road and Bridge	4,123,820	0.2200	0.2200	4,075,752	0.2200	0.2200	8,967	2008
Grand River Township of Bates Co	General Revenue	3,335,350	0.0994	0.0994	3,435,920	0.0997	0.0997	3,426	
	Road & Bridge	3,335,350	0.2585	0.2585	3,435,920	0.2592	0.2592	8,906	
	Special Road and Bridge	3,335,350	0.2485	0.2485	3,435,920	0.2485	0.2485	8,538	2008
Homer Township of Bates County	General Revenue	4,466,706	0.0978	0.0978	4,681,371	0.0978	0.0978	4,578	
	Road & Bridge	4,466,706	0.3237	0.3237	4,681,371	0.3237	0.3237	15,154	
	Special Road and Bridge	**	**	**	4,681,371	0.2000	0.2000	9,363	A 2011
Howard Township of Bates County	General Revenue	5,165,177	0.0992	0.0992	5,205,249	0.0995	0.0995	5,179	
	Road & Bridge	5,165,177	0.3199	0.3199	5,205,249	0.3208	0.3208	16,698	
	Special Road and Bridge	5,165,177	0.3473	0.3473	**	**	**		2007
	Special Road and Bridge	**	**	**	5,205,249	0.3473	0.3473	18,078	A 2011
Hudson Township of Bates County	General Revenue	4,432,676	0.1000	0.1000	4,409,890	0.1000	0.1000	4,410	
	Road & Bridge	4,432,676	0.2798	0.2798	4,409,890	0.2838	0.2838	12,515	
	Special Road and Bridge	4,432,676	0.3500	0.3500	4,409,890	0.3500	0.3500	15,435	2008
Lone Oak Township of Bates County	General Revenue	4,454,892	0.0875	0.0875	4,535,249	0.0875	0.0875	3,968	
	Road & Bridge	4,454,892	0.2517	0.2517	4,535,249	0.2517	0.2517	11,415	
	Special Road and Bridge	4,454,892	0.2476	0.2476	4,535,249	0.2476	0.2476	11,229	2009
Mingo Township of Bates County	General Revenue	3,391,468	0.0935	0.0935	3,434,969	0.0943	0.0943	3,239	
	Road & Bridge	3,391,468	0.2544	0.2544	3,434,969	0.2567	0.2567	8,818	
	Special Road and Bridge	3,391,468	0.2150	0.2150	3,434,969	0.2150	0.2150	7,385	2008
Mound Township of Bates County	General Revenue	10,220,911	0.0834	0.0834	10,323,521	0.0835	0.0835	8,620	
	Road & Bridge	10,220,911	0.2294	0.2294	10,323,521	0.2298	0.2298	23,723	
	Special Road and Bridge	10,220,911	0.1900	0.1900	A 10,323,521	0.1900	0.1900	19,615	2010
Mount Pleasant Township of Bates Co	General Revenue	54,506,850	0.0918	0.0918	55,311,012	0.0918	0.0918	50,776	
	Road & Bridge	54,506,850	0.2040	0.2040	55,311,012	0.2040	0.2040	112,834	
New Home Township of Bates County	General Revenue	3,443,182	0.1000	0.1000	3,609,247	0.1000	0.1000	3,609	
	Road & Bridge	3,443,182	0.2666	0.2666	3,609,247	0.2666	0.2666	9,622	
Osage Township of Bates County	General Revenue	10,697,341	0.0996	0.0996	11,103,642	0.0996	0.0996	11,059	
	Road & Bridge	10,697,341	0.2623	0.2623	11,103,642	0.2623	0.2623	29,125	
Pleasant Gap Township of Bates Co	General Revenue	4,114,646	0.1000	0.1000	4,166,269	0.1000	0.1000	4,166	
	Road & Bridge	4,114,646	0.2795	0.2795	4,166,269	0.2795	0.2795	11,645	
	Special Road and Bridge	4,114,646	0.3500	0.3500	A 4,166,269	0.3500	0.3500	14,582	2010
Rockville Township of Bates County	General Revenue	2,988,249	0.1000	0.1000	2,995,005	0.1000	0.1000	2,995	
	Road & Bridge	2,988,249	0.2731	0.2731	2,995,005	0.2741	0.2741	8,209	
Spruce Township of Bates County	General Revenue	4,063,754	0.0728	0.0728	4,091,528	0.0732	0.0732	2,995	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Bates</u>									
Spruce Township of Bates County	Road & Bridge	4,063,754	0.2182	0.2182	4,091,528	0.2193	0.2193	8,973	
Summit Township of Bates County	General Revenue	3,959,779	0.0705	0.0705	3,995,845	0.0705	0.0705	2,817	
	Road & Bridge	3,959,779	0.2419	0.2419	3,995,845	0.2419	0.2419	9,666	
	Special Road and Bridge	3,959,779	0.3500	0.3500	A 3,995,845	0.3500	0.3500	13,985	2010
Walnut Township of Bates County	General Revenue	4,878,743	0.0993	0.0993	4,980,359	0.0993	0.0993	4,945	
	Road & Bridge	4,878,743	0.2899	0.2899	4,980,359	0.2899	0.2899	14,438	
	Special Road and Bridge	4,878,743	0.1888	0.1888	**	**	**		2007
	Special Road and Bridge	**	**	**	4,980,359	0.1888	0.1888	9,403	A 2011
West Boone Township of Bates Co	General Revenue	7,264,123	0.0773	0.0773	7,388,660	0.0773	0.0773	5,711	
	Road & Bridge	7,264,123	0.2429	0.2429	7,388,660	0.2429	0.2429	17,947	
	Special Road and Bridge	7,264,123	0.2997	0.2997	7,388,660	0.2997	0.2997	22,144	2009
West Point Township of Bates Co	General Revenue	6,113,716	0.1000	0.1000	6,708,754	0.0961	0.0961	6,447	
	Road & Bridge	6,113,716	0.3051	0.3051	6,708,754	0.2933	0.2933	19,677	
	Special Road and Bridge	**	**	**	6,708,754	0.2200	0.2200	14,759	A 2011
Prairie Township of Bates County	General Revenue	1,679,424	0.1000	0.1000	1,703,825	0.1000	0.1000	1,704	
	Road & Bridge	1,679,424	0.2829	0.2829	1,703,825	0.2829	0.2829	4,820	
	Special Road and Bridge	1,679,424	0.2300	0.2300	**	**	**		2007
	Special Road and Bridge	**	**	**	1,703,825	0.2300	0.2300	3,919	A 2011
Shawnee Township of Bates County	General Revenue	3,653,308	0.1000	0.1000	3,663,086	0.1000	0.1000	3,663	
	Road & Bridge	3,653,308	0.2818	0.2818	3,663,086	0.2818	0.2818	10,323	
	Special Road and Bridge	3,653,308	0.3500	0.3500	A 3,663,086	0.3500	0.3500	12,821	2010
Bates County Health Center	General Revenue	**	**	**	185,140,124	0.0807	0.0807	149,408	
Miami R-I School District	Operating Funds-Schools	12,708,592	3.9000	3.9000	E 13,520,309	3.8299	3.8299	517,814	E
Ballard R-II School District	Operating Funds-Schools	8,868,017	4.3765	4.3765	E 9,116,310	4.3643	4.3643	397,863	E
	Debt Service	8,868,017	0.8306	0.7500	E 9,116,310	0.7988	0.7500	68,372	E
Adrian R-III School District	Operating Funds-Schools	35,067,621	3.4449	3.4449	E 36,192,020	3.3856	3.3856	1,225,317	E
	Debt Service	35,067,621	1.7294	0.9451	E 36,192,020	1.2350	1.0044	363,513	E
Rich Hill R-IV School District	Operating Funds-Schools	20,104,577	3.6113	2.9500	E 20,655,097	3.5825	3.3500	691,946	E
	Debt Service	20,104,577	1.2617	0.7606	E 20,655,097	1.1836	0.8000	165,241	E
Hume R-VIII School District	Operating Funds-Schools	7,512,087	5.2592	4.4500	BE 7,580,930	5.2592	4.5100	341,900	E
Hudson R-IX School District	Operating Funds-Schools	6,339,966	3.8885	3.7800	E 6,429,676	3.8320	3.7800	243,042	E
Butler R-V School District	Operating Funds-Schools	69,650,126	3.4917	3.4917	E 70,727,217	3.4494	3.4494	2,439,665	E
	Debt Service	69,650,126	0.6100	0.6100	E 70,727,217	0.8020	0.6100	431,436	E
Bates County	General Revenue	181,478,964	0.2625	0.2625	185,140,124	0.2625	0.2625	485,993	
	Health	181,478,964	0.0807	0.0807	**	**	**		
	Developmentally Disabled	181,478,964	0.0700	0.0700	185,140,124	0.0700	0.0700	129,598	
<u>Benton</u>									
Warsaw-Lincoln Ambulance District	General Revenue	173,548,330	0.1798	0.0000	178,080,401	0.1798	0.0000	0	
Cole Camp Ambulance District	General Revenue	49,558,968	0.2842	0.2842	50,645,041	0.2843	0.2843	143,984	
Lincoln Community Nursing Home Dist	Maintenance	49,824,833	0.1899	0.1899	51,038,285	0.1899	0.1899	96,922	
Good Samaritan Nursing Home Dist	General Revenue	61,106,604	0.1058	0.1058	62,277,692	0.1058	0.1058	65,890	
Brandon Special Road Dist Benton Co	Road & Bridge	1,373,821	0.3385	0.3385	1,373,592	0.3415	0.3415	4,691	
Cole Camp Sp Rd Dist Benton Co	Road & Bridge	12,331,055	0.1890	0.1890	12,580,025	0.1899	0.1899	23,889	
Ionia Special Rd Dist Benton Co	Road & Bridge	2,772,780	0.3373	0.3373	2,821,715	0.3417	0.3417	9,642	
City of Cole Camp	General Revenue	7,883,579	0.4638	0.4638	8,143,598	0.4643	0.4643	37,811	
Village of Ionia	General Revenue	596,527	0.7401	0.7401	572,944	0.7748	0.7748	4,439	
City of Lincoln	General Revenue	8,427,625	0.7510	0.7510	8,523,621	0.7529	0.7529	64,174	
	Parks & Recreation	8,427,625	0.1443	0.1443	8,523,621	0.1447	0.1447	12,334	
City of Warsaw	General Revenue	23,898,236	0.4309	0.4309	24,277,224	0.4380	0.4380	106,334	
	Parks & Recreation	23,898,236	0.1156	0.1156	24,277,224	0.1175	0.1175	28,526	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Benton</u>										
Lincoln Community Fire Prot Dist	General Revenue	40,417,973	0.2394	0.2394		40,667,058	0.2406	0.2406	97,845	
Deer Creek Fire Protection District	General Revenue	17,295,726	0.2857	0.2857		18,037,125	0.2857	0.2857	51,532	
Warsaw Fire Protection District	General Revenue	102,829,993	0.2826	0.2826		106,007,144	0.2826	0.2826	299,576	
Lakeview Heights Fire Prot Dist	General Revenue	12,286,554	0.2793	0.2793		12,694,966	0.2793	0.2793	35,457	
Osage Valley Fire Protection Dist	General Revenue	10,334,636	0.2778	0.2778		10,537,268	0.2778	0.2778	29,273	
Cole Camp & Rural Fire Prot Dist	General Revenue	27,808,766	0.2872	0.2872		28,500,500	0.2878	0.2878	82,024	
Benton County Health Department	General Revenue	**	**	**		222,933,791	0.3792	0.3792	845,365	
Lincoln R-II School District	Operating Funds-Schools	38,177,653	2.7500	2.7500	E	38,759,935	2.7500	2.7500	1,065,898	E
	Debt Service	38,177,653	0.9850	0.5000	E	38,759,935	0.8555	0.5000	193,800	E
Warsaw R-IX School District	Operating Funds-Schools	129,795,481	2.7500	2.7500	E	134,497,968	2.7500	2.7500	3,698,694	E
	Debt Service	129,795,481	1.0530	0.4500	E	134,497,968	0.5718	0.4500	605,241	E
Cole Camp R-I School District	Operating Funds-Schools	46,591,270	2.7500	2.7500	F	48,034,024	2.7500	2.7500	1,320,936	F
	Debt Service	46,591,270	0.5173	0.5173	F	48,034,024	0.5494	0.5173	248,480	F
Benton County	General Revenue	217,481,615	0.3171	0.1450		222,933,791	0.3171	0.1450	323,254	
	Common Road District	201,003,960	0.2012	0.2012		206,086,153	0.2012	0.2012	414,645	
	Health	217,481,615	0.3792	0.3792		**	**	**		
	Senior Services	217,481,615	0.0500	0.0500	A	222,933,791	0.0500	0.0500	111,467	
<u>Bollinger</u>										
Village of Glen Allen	General Revenue	704,018	0.3866	0.3866		675,972	0.4027	0.4027	2,722	
City of Marble Hill	General Revenue	12,849,169	0.4849	0.4849		12,669,437	0.4918	0.4918	62,308	
	Parks & Recreation	12,849,169	0.1212	0.1212		12,669,437	0.1229	0.1229	15,571	
Village of Sedgwickville	General Revenue	1,081,568	0.4709	0.4709		1,062,172	0.4795	0.4795	5,093	
Village of Zalma	General Revenue	469,982	1.0000	1.0000		425,161	1.0000	1.0000	4,252	
Glen Allen Fire Protection District	General Revenue	13,459,829	0.2866	0.2866		13,101,609	0.2968	0.2968	38,886	
Sedgewickville Fire Protection Dist	General Revenue	15,643,485	0.2019	0.2019		15,729,400	0.2035	0.2035	32,009	
North County Fire Protection Dist	General Revenue	28,036,408	0.2631	0.2631		27,406,074	0.2723	0.2723	74,627	
Zalma Fire Protection District	Fire	**	**	**		12,658,504	0.2800	0.2800	35,444	A
Bollinger County Health Center	General Revenue	**	**	**		108,322,753	0.2381	0.2381	257,916	
Meadow Heights R-II School District	Operating Funds-Schools	30,546,585	2.7500	2.7500	E	30,011,775	2.7500	2.7500	825,324	E
	Debt Service	30,546,585	0.4447	0.3500	E	30,011,775	0.3595	0.3500	105,041	E
Leopold R-III School District	Operating Funds-Schools	7,151,090	3.2595	2.8500	E	7,237,770	3.2464	2.9500	213,514	E
Zalma R-V School District	Operating Funds-Schools	10,631,555	2.7500	2.7500	F	10,753,225	2.7500	2.7500	295,714	F
Woodland R-IV School District	Operating Funds-Schools	45,694,620	2.7500	2.7500	E	45,545,400	2.7500	2.7500	1,252,498	E
Bollinger County	General Revenue	109,540,480	0.3402	0.1400		108,322,753	0.3472	0.2000	216,646	
	Library	109,540,480	0.1984	0.1984		108,322,753	0.2000	0.2000	216,646	
	Road & Bridge	109,540,480	0.2429	0.2429		108,322,753	0.2479	0.2479	268,532	
	Health	109,540,480	0.2333	0.2333		**	**	**		
	Ambulance	109,540,480	0.1943	0.1943		108,322,753	0.1983	0.1983	214,804	
	Senate Bill 40	109,540,480	0.0972	0.0972		108,322,753	0.0992	0.0992	107,456	
<u>Boone</u>										
Callahan Creek Watershed Sub Dist	General Revenue	16,143,748	0.2490	0.0900		16,815,371	0.2490	0.0900	15,134	
City of Ashland	General Revenue	39,710,491	0.2603	0.2603		42,132,617	0.2603	0.2603	109,671	
	Debt Service	39,710,491	0.0454	0.0454		42,132,617	0.0363	0.0363	15,294	
City of Centralia	General Revenue	41,769,461	0.6415	0.6415		43,327,952	0.6415	0.6415	277,949	
	Parks & Recreation	41,769,461	0.2873	0.2873		43,327,952	0.2873	0.2873	124,481	
City of Columbia	General Revenue	1,564,964,931	0.4171	0.4100		1,622,536,392	0.4171	0.4100	6,652,399	
City of Hallsville	General Revenue	14,175,769	0.5764	0.5764		14,820,941	0.5764	0.5764	85,428	
	Debt Service	14,175,769	0.6434	0.2900		14,820,941	0.4129	0.2900	42,981	
Town of Harrisburg	General Revenue	2,131,929	0.3259	0.3259		2,283,525	0.3259	0.3259	7,442	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Boone</u>									
Village of Hartsburg	General Revenue	877,215	0.5207	0.5207	927,114	0.5156	0.5156	4,780	A
City of Rocheport	General Revenue	2,455,078	0.2571	0.2571	2,493,479	0.2591	0.2591	6,461	
City of Sturgeon	General Revenue	6,276,465	0.6083	0.5500	6,367,747	0.6089	0.5500	35,023	
Town of Huntsdale	General Revenue	**	**	**	6,367,747	0.5000	0.5000	31,839	
Centralia Public Library	General Revenue	39,088,628	0.2893	0.2893	40,097,293	0.2893	0.2893	116,001	
	Debt Service	39,088,628	0.0815	0.0815	40,097,293	0.0785	0.0785	31,476	
Boone County Library	General Revenue	1,482,559,957	0.2986	0.2986	1,541,148,843	0.2986	0.2986	4,601,870	
Columbia Public Library	General Revenue	687,146,316	0.2971	0.2971	705,035,523	0.2971	0.2971	2,094,661	
	Debt Service	687,146,316	0.2717	0.2300	705,035,523	0.2536	0.2250	1,586,330	
Boone County Fire Prot Dist	General Revenue	492,769,868	0.5929	0.5929	506,924,578	0.5929	0.5929	3,005,556	
	Dispatch	492,769,868	0.0283	0.0283	506,924,578	0.0283	0.0283	143,460	
	Debt Service	492,769,868	0.1523	0.1523	506,924,578	0.1182	0.1182	599,185	
Southern Boone Co Fire Prot Dist	General Revenue	109,765,885	0.2130	0.2130	113,934,528	0.2130	0.2130	242,681	
	Dispatch	109,765,885	0.0281	0.0281	113,934,528	0.0281	0.0281	32,016	
	Debt Service	109,765,885	0.1664	0.1664	113,934,528	0.1713	0.1713	195,170	
Columbia Special Business District	General Revenue	29,805,159	0.4762	0.4762	30,028,820	0.4778	0.4778	143,478	E
Southern Boone Co. R-I School Dist	Operating Funds-Schools	94,570,839	3.2376	3.2376	E 98,490,285	3.2375	3.2375	3,188,623	
	Debt Service	**	**	**	98,490,285	2.0975	1.2800	1,260,676	
Boone Co. R-IV School District	Operating Funds-Schools	64,502,829	3.1615	3.1496	E 65,968,214	3.1652	3.1652	2,088,026	
	Debt Service	64,502,829	1.1914	0.7536	E 65,968,214	1.2088	0.7536	497,136	
Sturgeon R-V School District	Operating Funds-Schools	29,100,980	3.4170	3.4170	F 29,412,217	3.4961	3.4961	1,028,281	
	Debt Service	29,100,980	1.4266	1.2700	F 29,412,217	1.3355	1.2700	373,535	
Centralia R-VI School District	Operating Funds-Schools	80,486,972	3.1695	3.1695	BE 82,852,396	3.3195	3.3195	2,750,285	
	Debt Service	80,486,972	1.1640	0.8900	E 82,852,396	1.6699	0.8900	737,386	
Harrisburg R-VIII School District	Operating Funds-Schools	31,447,566	3.3446	3.2208	F 32,363,877	3.3296	3.2597	1,054,965	
	Debt Service	31,447,566	1.5659	1.1500	F 32,363,877	1.6020	1.1500	372,185	
Columbia 93 School District	Operating Funds-Schools	1,906,417,895	4.2271	3.9070	1,975,541,024	4.2268	4.2268	83,502,168	
	Debt Service	1,906,417,895	1.1938	0.8019	1,975,541,024	1.2835	0.8019	15,841,863	
Boone County	General Revenue	2,208,605,349	0.3065	0.1200	2,286,102,300	0.3065	0.1200	2,743,323	
	Road & Bridge	2,208,605,349	0.2601	0.0475	2,286,102,300	0.2601	0.0475	1,085,899	
	Hospital	2,208,605,349	0.1300	0.0000	2,286,102,300	0.1300	0.0000	0	
	Sheltered Workshop	2,208,605,349	0.1114	0.1114	2,286,102,300	0.1114	0.1114	2,546,718	
<u>Buchanan</u>									
Village of Agency	General Revenue	5,408,029	0.6143	0.6143	5,707,687	0.6123	0.6123	34,948	2007
Village of DeKalb	General Revenue	1,369,077	0.7436	0.7436	1,380,857	0.7743	0.7743	10,692	
City of Easton	General Revenue	1,201,913	0.4309	0.4309	1,157,884	0.4473	0.4473	5,179	
Village of Lewis & Clark	General Revenue	1,111,720	0.3019	0.2928	1,104,020	0.3048	0.3048	3,365	
	General Revenue-Temp	1,111,720	0.2198	0.2132	**	**	**		
	General Revenue-Temp	**	**	**	1,104,020	0.3000	0.3000	3,312	A 2011
Village of Rushville	General Revenue	1,299,685	0.4625	0.4625	1,300,656	0.4653	0.4653	6,052	2010
City of St. Joseph	General Revenue	890,471,486	0.7009	0.7009	898,110,566	0.7046	0.7046	6,328,087	
	Parks & Recreation	890,471,486	0.1946	0.1946	898,110,566	0.1956	0.1956	1,756,704	
	Library	612,232,862	0.4033	0.4033	615,486,168	0.4044	0.4044	2,489,026	
	Museum	890,471,486	0.0487	0.0487	898,110,566	0.0490	0.0490	440,074	
	Special Business District	6,250,830	0.7796	0.7796	6,449,210	0.7796	0.7796	50,278	
	Health	890,471,486	0.2092	0.2092	898,110,566	0.2103	0.2103	1,888,727	
Rolling Hills Consolidated Library	General Revenue	640,782,971	0.3099	0.3099	663,462,057	0.3100	0.3100	2,056,732	
Colony Hills Fire Protection Dist	General Revenue	8,242,656	0.8772	0.8772	8,225,706	0.8839	0.8839	72,707	
Lake Contrary Fire Protection Dist	General Revenue	4,476,927	0.8400	0.8400	4,561,002	0.8400	0.8400	38,312	
	Fire	4,476,927	0.5000	0.2400	4,561,002	0.5000	0.2500	11,403	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Buchanan</u>										
Maxwell Heights Fire Prot Dist	General Revenue	12,589,893	1.0200	1.0200		15,574,458	1.0200	1.0200	158,859	
Sugar Lake Fire Protection District	General Revenue	**	**	**		**	**	**		
S Central Buchanan Fire Prot Dist	General Revenue	61,724,722	0.2715	0.2715		66,492,206	0.2761	0.2761	183,585	
San Antonio Fire Protection Dist	General Revenue	13,151,156	0.3000	0.3000		13,291,755	0.3000	0.3000	39,875	
DeKalb Fire Protection District	General Revenue	16,513,113	0.2916	0.2916		19,503,484	0.2963	0.2963	57,789	
Rushville Fire Protection District	General Revenue	**	**	**		**	**	**		
Easton Fire Protection District	General Revenue	9,686,047	0.2526	0.2526		9,598,127	0.2579	0.2579	24,754	
Southwest Buchanan Co FPD	General Revenue	14,686,912	0.4500	0.4500	A	14,651,572	0.4500	0.4500	65,932	
East Buchanan Co. C-1 School Dist	Operating Funds-Schools	48,955,604	5.3000	5.3000	BE	49,348,633	5.3000	5.3000	2,615,478	E
Mid-Buchanan Co R-V School Dist	Operating Funds-Schools	53,596,236	3.9845	3.8845	E	53,509,105	3.9845	3.9845	2,132,070	E
	Debt Service	53,596,236	0.7788	0.6969	E	53,509,105	0.6969	0.6969	372,905	E
Buchanan County R-IV School Dist	Operating Funds-Schools	18,230,924	4.1925	4.1924	E	18,276,640	4.2443	4.2443	775,715	E
	Debt Service	18,230,924	1.1746	0.7076	E	18,276,640	0.6648	0.6648	121,503	E
St. Joseph School District	Operating Funds-Schools	937,359,350	3.5692	3.0058		956,451,701	3.5695	3.0580	29,248,293	
	Operating Funds-Temp	937,359,350	0.6096	0.6096		956,451,701	0.6148	0.6148	5,880,265	2008
	Debt Service	937,359,350	0.4185	0.3146		956,451,701	0.3187	0.3072	2,938,220	
Buchanan County	General Revenue	1,059,045,841	0.3400	0.0628		1,083,577,692	0.3419	0.0689	746,585	
	Road & Bridge	1,059,045,841	0.2771	0.2771		1,083,577,692	0.2787	0.2787	3,019,931	
	Senate Bill 40	1,059,045,841	0.0971	0.0971		1,083,577,692	0.0977	0.0977	1,058,655	
<u>Butler</u>										
Naylor-Neelyville Ambulance Dist	General Revenue	37,325,079	0.3000	0.3000		37,497,033	0.3000	0.3000	112,491	
City of Fisk	General Revenue	1,957,605	0.7447	0.7447		1,980,472	0.7447	0.7447	14,749	
City of Neelyville	General Revenue	1,856,485	0.6152	0.6152		1,908,999	0.6152	0.6152	11,744	
City of Poplar Bluff	General Revenue	213,779,919	0.4690	0.4690		218,875,774	0.4712	0.4712	1,031,343	
	Library	213,779,919	0.1380	0.1380		218,875,774	0.1387	0.1387	303,581	
	Pension	213,779,919	0.0919	0.0919		218,875,774	0.0923	0.0923	202,022	
City of Qulin	General Revenue	2,424,727	0.4595	0.4595		2,170,087	0.5179	0.5179	11,239	
Butler County Fire Protection Dist	General Revenue	251,676,783	0.2431	0.2431		259,375,545	0.2431	0.2431	630,542	
Qulin Community Fire Prot Dist	General Revenue	16,123,505	0.1577	0.1577		15,699,163	0.1600	0.1600	25,119	
Butler County Health Department	General Revenue	**	**	**		498,560,072	0.0935	0.0935	466,154	
Three Rivers Community College	General Revenue	721,692,571	0.2319	0.2319		741,065,779	0.2319	0.2319	1,718,532	
Neelyville R-IV School District	Operating Funds-Schools	29,177,304	2.7500	2.7500	E	30,255,312	2.7500	2.7500	832,021	E
Poplar Bluff R-I School District	Operating Funds-Schools	361,237,010	2.7500	2.7500	E	373,520,235	2.7500	2.7500	10,271,806	E
	Debt Service	361,237,010	0.2388	0.1800	E	373,520,235	0.1942	0.1800	672,336	E
Twin Rivers R-X School District	Operating Funds-Schools	50,415,156	2.1615	2.1615	E	54,126,205	2.1422	2.1422	1,159,492	E
	Operating Funds-Temp	50,415,156	0.8856	0.8856	E	54,126,205	0.8754	0.8754	473,821	E 2012
	Debt Service	50,415,156	0.1643	0.1643	E	54,126,205	0.1495	0.1495	80,919	E
Butler County	General Revenue	481,027,962	0.2804	0.0995		498,560,072	0.2804	0.0995	496,067	
	Road & Bridge	481,027,962	0.2149	0.0342		498,560,072	0.2149	0.0342	170,508	
	Health	481,027,962	0.0935	0.0935		**	**	**		
	Senate Bill 40	481,027,962	0.0935	0.0935		498,560,072	0.0935	0.0935	466,154	
	Senior Services	481,027,962	0.0466	0.0466		498,560,072	0.0466	0.0466	232,329	
<u>Caldwell</u>										
Caldwell County Ambulance	General Revenue	97,159,086	0.1911	0.0100		111,745,221	0.1926	0.0492	54,979	
Golden Age Nursing Home District	General Revenue	21,513,332	0.1500	0.1500		34,682,977	0.1219	0.1219	42,279	
City of Braymer	General Revenue	5,268,740	0.7687	0.7687		5,307,055	0.7687	0.7687	40,795	
City of Breckenridge	General Revenue	2,110,935	0.9056	0.9056		2,009,688	1.0000	0.7700	15,475	
	Lights	2,110,935	0.0940	0.0940		2,009,688	0.1000	0.0800	1,608	
	Library	2,110,935	0.0469	0.0469		2,009,688	0.0500	0.0400	804	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Caldwell</u>									
City of Breckenridge	Police	2,110,935	0.0940	0.0940	2,009,688	0.1000	0.0800	1,608	
	Fire	2,110,935	0.1411	0.1411	2,009,688	0.1500	0.1200	2,412	
City of Cowgill	General Revenue	988,450	0.8306	0.8306	1,003,228	0.8556	0.8556	8,584	
City of Hamilton	General Revenue	12,615,015	0.7205	0.7205	12,570,525	0.7259	0.7259	91,249	
	Parks & Recreation	12,615,015	0.2506	0.2506	12,570,525	0.2525	0.2525	31,741	
	Lights	12,615,015	0.2089	0.2089	12,570,525	0.2105	0.2105	26,461	
	Library	12,615,015	0.3029	0.3029	12,570,525	0.3052	0.3052	38,365	
City of Kidder	Debt Service	12,615,015	0.4542	0.4542	12,570,525	0.4807	0.4807	60,427	
	General Revenue	2,137,074	1.0000	0.8300	1,981,914	1.0000	0.9500	18,828	
	Debt Service	2,137,074	0.5653	0.5650	1,981,914	0.6004	0.6004	11,899	
	General Revenue	1,495,352	1.0000	0.8139	1,488,510	1.0000	0.8139	12,115	
City of Polo	General Revenue	4,017,369	0.7032	0.7032	4,215,677	0.7134	0.6963	29,354	
	Debt Service	4,017,369	0.3980	0.3980	4,215,677	0.2226	0.2226	9,384	
Breckenridge Township, Caldwell Co	General Revenue	6,471,779	0.0951	0.0951	6,622,589	0.0954	0.0954	6,318	
	Road & Bridge	6,471,779	0.4757	0.4400	6,622,589	0.4773	0.4773	31,610	
	Special Road and Bridge	6,471,779	0.2910	0.3059	D 6,622,589	0.5969	0.3059	20,258	2008
Davis Township of Caldwell Co	General Revenue	9,692,014	0.0950	0.0900	13,042,825	0.0966	0.0900	11,739	
	Road & Bridge	9,692,014	0.4437	0.4300	13,042,825	0.4513	0.4300	56,084	
	Special Road and Bridge	9,692,014	0.1700	0.1700	**	**	**		2007
	Special Road and Bridge	**	**	**	13,042,825	0.1700	0.1700	22,173	A 2011
Fairview Township of Caldwell Co	General Revenue	2,946,728	0.1000	0.1000	2,891,546	0.1000	0.1000	2,892	
	Road & Bridge	2,946,728	0.5000	0.4600	2,891,546	0.5000	0.4600	13,301	
	Special Road and Bridge	2,946,728	0.3200	0.3200	2,891,546	0.3200	0.3200	9,253	2008
Gomer Township of Caldwell County	General Revenue	5,038,487	0.1000	0.1000	5,154,668	0.1000	0.1000	5,155	
	Road & Bridge	5,038,487	0.4980	0.4980	5,154,668	0.4980	0.4980	25,670	
	Special Road and Bridge	5,038,487	0.3493	0.3493	5,154,668	0.3493	0.3493	18,005	2008
Grant Township of Caldwell County	General Revenue	15,743,158	0.0958	0.0958	19,502,556	0.0963	0.0963	18,781	
	Road & Bridge	15,743,158	0.3911	0.3911	19,502,556	0.3932	0.3932	76,684	
	Special Road and Bridge	15,743,158	0.2400	0.2400	A 19,502,556	0.2400	0.2400	46,806	2011
Hamilton Township of Caldwell Co	General Revenue	19,290,519	0.0921	0.0700	19,421,719	0.0924	0.0700	13,595	
	Road & Bridge	19,290,519	0.3690	0.3100	19,421,719	0.3701	0.3100	60,207	
Kidder Township of Caldwell Co	General Revenue	10,704,326	0.0872	0.0872	10,436,769	0.0917	0.0917	9,571	
	Road & Bridge	10,704,326	0.3580	0.3580	10,436,769	0.3764	0.3764	39,284	
	Special Road and Bridge	10,704,326	0.0029	0.3177	G **	**	**		2007
	Special Road and Bridge	**	**	**	10,436,769	0.3177	0.3177	33,158	A 2011
Kingston Township of Caldwell Co	General Revenue	5,399,827	0.1000	0.1000	5,662,818	0.1000	0.1000	5,663	
	Road & Bridge	5,399,827	0.5000	0.5000	5,662,818	0.5000	0.5000	28,314	
	Special Road and Bridge	5,399,827	0.0035	0.3500	G **	**	**		2007
	Special Road and Bridge	**	**	**	5,662,818	0.3500	0.3500	19,820	A 2011
Lincoln Township of Caldwell Co	General Revenue	5,473,399	0.0989	0.0989	8,699,689	0.1000	0.1000	8,700	
	Road & Bridge	5,473,399	0.4328	0.4328	8,699,689	0.4399	0.4399	38,270	
	Special Road and Bridge	5,473,399	0.0033	0.3300	G **	**	**		2007
	Special Road and Bridge	**	**	**	8,699,689	0.3300	0.3300	28,709	A 2011
Mirabile Township of Caldwell Co	General Revenue	5,066,756	0.0985	0.0985	5,067,132	0.0990	0.0990	5,016	
	Road & Bridge	5,066,756	0.4491	0.4491	5,067,132	0.4512	0.4512	22,863	
	Special Road and Bridge	5,066,756	0.3300	0.3300	5,067,132	0.3300	0.3300	16,722	2008
New York Township of Caldwell Co	General Revenue	4,054,977	0.0894	0.0894	4,227,247	0.0894	0.0894	3,779	
	Road & Bridge	4,054,977	0.4274	0.4274	4,227,247	0.4274	0.4274	18,067	
	Special Road and Bridge	4,054,977	0.0030	0.3035	G **	**	**		2007
	Special Road and Bridge	**	**	**	4,227,247	0.3035	0.3035	12,830	A 2011
Rockford Township of Caldwell Co	General Revenue	7,374,406	0.0924	0.0924	10,776,222	0.0938	0.0938	10,108	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Caldwell</u>										
Rockford Township of Caldwell Co	Road & Bridge	7,374,406	0.4107	0.4107		10,776,222	0.4167	0.4167	44,905	2008
	Special Road and Bridge	7,374,406	0.3433	0.3433		10,776,222	0.3483	0.3483	37,534	
Hamilton Rural Fire Protection Dist	General Revenue	29,676,068	0.1821	0.1821		30,019,124	0.1821	0.1821	54,665	
Caldwell County Health Department	General Revenue	**	**	**		111,745,221	0.2494	0.2494	278,693	
Breckenridge R-I School District	Operating Funds-Schools	4,944,105	5.4265	4.5478		4,914,450	5.1901	4.1306	202,996	
Hamilton R-II School District	Operating Funds-Schools	31,896,290	3.2061	3.2061	E	32,183,103	3.2018	3.2018	1,030,439	E
	Operating Funds-Temp	31,896,290	1.7639	1.7639	AE	32,183,103	1.7639	1.7639	567,678	E 2026
New York R-IV School District	Operating Funds-Schools	3,219,580	5.7278	5.0000		3,302,340	5.7500	5.0000	165,117	
Cowgill R-VI School District	Operating Funds-Schools	3,553,000	4.1681	4.1199	E	3,571,470	4.1342	4.1342	147,652	E
Polo R-VII School District	Operating Funds-Schools	21,011,090	3.9239	3.9239	E	21,674,925	3.9100	3.9100	847,490	E
	Debt Service	21,011,090	0.9521	0.5924	E	21,674,925	1.6095	0.6063	131,415	E
Mirabile C-1 School District	Operating Funds-Schools	4,161,320	4.2746	4.2746	E	4,167,580	4.1746	4.1746	173,980	E
	Debt Service	4,161,320	0.3146	0.3146	E	4,167,580	0.4054	0.4050	16,879	E
Braymer C-4 School District	Operating Funds-Schools	15,539,291	3.7211	2.9669		15,772,908	3.5967	2.7604	435,395	
	Debt Service	15,539,291	0.3280	0.3280		15,772,908	0.4029	0.4029	63,549	
Kingston 42 School District	Operating Funds-Schools	3,484,650	4.7500	4.7500	E	3,506,790	4.7500	4.7500	166,573	E
Caldwell County	General Revenue	97,159,086	0.3716	0.2300		111,745,221	0.3745	0.2300	257,014	
	Health	97,159,086	0.2475	0.2475		**	**	**		
<u>Callaway</u>										
Callaway County Ambulance District	General Revenue	657,383,642	0.1170	0.0000		673,215,712	0.1172	0.0000	0	
City of Auxvasse	General Revenue	7,633,745	0.5987	0.5987		8,033,043	0.5987	0.5987	48,094	
City of Fulton	General Revenue	99,881,633	0.4608	0.4608		99,823,524	0.4670	0.4670	466,176	
Village of Kingdom City	General Revenue	8,575,397	0.2066	0.2066		8,527,824	0.2078	0.2066	17,618	
City of Mokane	General Revenue	978,484	0.8070	0.8070		940,271	0.8398	0.8398	7,896	
City of New Bloomfield	General Revenue	5,221,824	0.3022	0.3022		5,323,643	0.3027	0.3027	16,115	
	Debt Service	5,221,824	0.5884	0.5884		5,323,643	0.4272	0.4272	22,743	
Town of Lake Mykee	General Revenue	3,926,966	0.4915	0.4915		3,961,002	0.4946	0.4946	19,591	
Callaway County Library	General Revenue	657,383,642	0.1950	0.1950		673,215,712	0.1954	0.1954	1,315,464	
Millersburg Fire Protection Dist	General Revenue	28,643,919	0.4510	0.4510		28,632,268	0.4583	0.4583	131,222	
Central Callaway Fire Prot Dist	General Revenue	54,469,175	0.4299	0.4299		56,138,399	0.4302	0.4299	241,339	
Holts Summit Fire Protection Dist	General Revenue	92,434,329	0.2514	0.2514		94,418,824	0.2530	0.2530	238,880	
	Debt Service	**	**	**		94,418,824	0.4545	0.3100	292,698	
South Callaway Fire Protection Dist	General Revenue	255,992,829	0.2005	0.2000		268,031,496	0.2005	0.2000	536,063	
North Callaway Fire Protection Dist	General Revenue	71,011,183	0.2789	0.2789		71,231,336	0.2804	0.2804	199,733	
New Bloomfield Fire Protection Dist	General Revenue	32,490,411	0.2699	0.2699		33,305,655	0.2711	0.2711	90,292	
North Callaway Co R-I School Dist	Operating Funds-Schools	77,339,086	3.0178	3.0178	E	78,280,534	3.0178	3.0178	2,362,350	E
	Debt Service	77,339,086	0.6109	0.5922	E	78,280,534	0.6416	0.5922	463,577	E
New Bloomfield R-III School Dist	Operating Funds-Schools	39,629,626	2.9370	2.9370	E	40,768,896	2.9347	2.9347	1,196,445	E
	Debt Service	39,629,626	1.7094	1.1429	E	40,768,896	1.4646	1.1452	466,885	E
Fulton 58 School District	Operating Funds-Schools	157,902,481	3.2679	3.2679	E	160,006,922	3.3060	3.3060	5,289,829	E
	Debt Service	157,902,481	0.9361	0.7400	E	160,006,922	0.7462	0.7400	1,184,051	E
South Callaway Co R-II School Dist	Operating Funds-Schools	255,313,574	2.7500	2.7500		267,616,827	2.7500	2.7500	7,359,463	
Callaway County	General Revenue	657,383,642	0.3173	0.3070		673,215,712	0.3179	0.3125	2,103,799	
	Road & Bridge	657,383,642	0.2456	0.2453		673,215,712	0.2461	0.2461	1,656,784	
	Senate Bill 40	657,383,642	0.0975	0.0975		673,215,712	0.0977	0.0977	657,732	
<u>Camden</u>										
CAM-MO Ambulance District	General Revenue	552,039,745	0.1050	0.0000		574,196,893	0.1050	0.0000	0	
Camden Ambulance District	General Revenue	517,627,620	0.2796	0.2796		529,796,870	0.2796	0.2796	1,481,312	
Horseshoe Bend Sp Rd 1 Camden Co	General Revenue	276,083,911	0.3239	0.3239		285,674,851	0.3239	0.3239	925,301	2008

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Camden</u>										
Village of Climax Springs	General Revenue	317,812	0.5505	0.5505		307,038	0.5700	0.5700	1,750	
City of Linn Creek	General Revenue	4,426,093	0.1838	0.0000		4,442,193	0.1853	0.1853	8,231	
City of Macks Creek	General Revenue	1,292,403	0.2717	0.2300		1,362,496	0.2717	0.2300	3,134	
City of Stoutland	General Revenue	838,818	0.7325	0.6900		918,591	0.7123	0.6900	6,338	
Village of Sunrise Beach	General Revenue	12,176,957	0.1244	0.0000		11,930,365	0.1270	0.0000	0	
Camden County Library	General Revenue	1,437,274,787	0.0912	0.0912		1,487,115,401	0.0912	0.0912	1,356,249	
Osage Beach Fire Protection Dist	General Revenue	437,724,888	0.0059	0.5934	G	451,724,033	0.0059	0.5934	2,680,530	G
Sunrise Beach Fire Protection Dist	General Revenue	277,456,562	0.3521	0.3521		295,193,251	0.3521	0.3521	1,039,375	
	Debt Service	277,456,562	0.4648	0.3830		295,193,251	0.3266	0.3266	964,101	
Mid County Fire Protection District	General Revenue	256,602,627	0.2676	0.2676		268,203,768	0.2676	0.2676	717,713	
	Debt Service	256,602,627	0.1944	0.1944		268,477,343	0.2211	0.2211	593,603	
Northwest Fire Protection District	General Revenue	57,108,367	0.2566	0.2566		57,925,910	0.2566	0.2566	148,638	
Southwest Camden Co Fire Prot Dist	General Revenue	21,740,792	0.2962	0.2962		23,439,107	0.2962	0.2962	69,427	
Tri-County Fire Protection District	General Revenue	4,558,330	0.3000	0.3000	A	15,879,004	0.3000	0.3000	47,637	
Camelot Sewer District	Debt Service	**	**	**		20,088,486	0.1295	0.1295	26,015	
Camden Co. R-II School District	Operating Funds-Schools	21,552,372	3.3054	2.7500	F	22,307,727	3.3075	2.7500	613,462	F
Camdenton R-III School District	Operating Funds-Schools	984,432,406	2.6800	2.6800	E	1,024,323,376	2.7000	2.7000	27,656,731	E
	Debt Service	984,432,406	0.2675	0.1900	E	1,024,323,376	0.2717	0.1700	1,741,350	E
Climax Springs R-IV School District	Operating Funds-Schools	81,606,532	2.7500	2.7500		82,596,630	2.7500	2.7500	2,271,407	
Macks Creek R-V School District	Operating Funds-Schools	27,848,002	3.2305	3.2305	E	28,741,848	3.2796	3.2796	942,618	E
	Debt Service	27,848,002	1.2288	0.4700	E	28,741,848	0.9740	0.4695	134,943	E
Camden County	General Revenue	1,437,274,787	0.2007	0.1000		1,487,115,401	0.2007	0.1000	1,487,115	
	Road & Bridge	1,437,274,787	0.1369	0.1000		1,487,115,401	0.1369	0.1000	1,487,115	
	Senate Bill 40	1,437,274,787	0.0546	0.0546		1,487,115,401	0.0546	0.0546	811,965	
	Senior Services	1,437,274,787	0.0435	0.0435		1,487,115,401	0.0435	0.0435	646,895	
<u>Cape Girardeau</u>										
Cape Special Road District	Road & Bridge	627,425,413	0.2567	0.0000		637,537,497	0.2589	0.0000	0	
City of Cape Girardeau	General Revenue	522,002,523	0.2991	0.2991		526,989,520	0.3030	0.3030	1,596,778	
	Health	522,002,523	0.0560	0.0560		526,989,520	0.0567	0.0567	298,803	
City of Delta	General Revenue	2,745,280	0.6329	0.6329		2,816,776	0.6345	0.6345	17,872	
Village of Gordonville	General Revenue	4,473,368	0.4452	0.4452		4,744,659	0.4423	0.4423	20,986	
City of Jackson	General Revenue	175,057,331	0.5783	0.5783		182,141,120	0.5783	0.5783	1,053,322	
	Parks & Recreation	175,057,331	0.1213	0.1213		182,141,120	0.1213	0.1213	220,937	
	Library	175,057,331	0.1213	0.1213		182,141,120	0.1213	0.1213	220,937	
	Band	175,057,331	0.0746	0.0746		182,141,120	0.0746	0.0746	135,877	
	Cemetery	175,057,331	0.0746	0.0746		182,141,120	0.0746	0.0746	135,877	
Village of Oak Ridge	General Revenue	1,199,600	0.3236	0.3236		1,279,088	0.3299	0.3299	4,220	
Village of Pochontas	General Revenue	608,515	0.5152	0.5152		632,712	0.5153	0.5153	3,260	
Village of Whitewater	General Revenue	544,544	0.6872	0.6872		561,010	0.6883	0.6659	3,736	
Village of Old Appleton	General Revenue	800,960	0.3147	0.3147		724,034	0.3486	0.3486	2,524	
Town of Allenville	General Revenue	322,972	0.3810	0.3810		321,854	0.3919	0.3919	1,261	
Town of Dutchtown	General Revenue	623,139	0.3070	0.3070		604,039	0.3167	0.3167	1,913	
Cape Girardeau Public Library	General Revenue	463,090,296	0.1590	0.1590		462,651,577	0.1618	0.1618	748,570	
	General Revenue-Temp	**	**	**		462,651,577	0.1500	0.1500	693,977	A 2026
	Debt Service	463,090,296	0.2713	0.1500		**	**	**		
Cape Girardeau County Library	General Revenue	487,155,417	0.0802	0.0802		512,851,671	0.0802	0.0802	411,307	
East County Area Fire Prot District	General Revenue	76,084,054	0.2927	0.2927		79,706,756	0.2980	0.2980	237,526	
Delta Fire Protection District	General Revenue	13,289,609	0.2954	0.2954		13,484,450	0.2954	0.2954	39,833	
Fruitland Area Fire Protection Dist	General Revenue	79,917,975	0.2890	0.2700		80,763,236	0.2919	0.2700	218,061	
North Cape Co Rural Fire Prot Dist	General Revenue	24,522,592	0.2920	0.2500		24,916,260	0.2944	0.2500	62,291	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Cape Girardeau</u>										
Gordonville Fire Protection Dist	General Revenue	61,955,597	0.2754	0.2754		65,891,064	0.2756	0.2756	181,596	
Millersville Fire Protection Dist	General Revenue	38,968,842	0.2807	0.2807		41,346,705	0.2807	0.2807	116,060	
Whitewater Fire Protection Dist	General Revenue	11,976,472	0.3860	0.3860		12,244,584	0.3880	0.3880	47,509	
Cape Girardeau Spec Business Dist	General Revenue	3,300,450	0.6763	0.6763		3,575,720	0.6763	0.6763	24,183	
Cape Girardeau County Public Health	General Revenue	**	**	**		1,052,241,267	0.0965	0.0965	1,015,413	
Jackson R-II School District	Operating Funds-Schools	355,939,005	3.4633	3.4633	E	374,010,781	3.4542	3.4542	12,919,080	E
	Debt Service	355,939,005	0.4426	0.3367	E	374,010,781	0.4192	0.3458	1,293,329	E
Delta R-V School District	Operating Funds-Schools	19,323,737	3.4534	3.4534	BE	19,731,675	3.4542	3.4542	681,572	E
	Debt Service	19,323,737	0.9720	0.1800	E	19,731,675	1.1023	0.6900	136,149	E
Oak Ridge R-VI School District	Operating Funds-Schools	21,087,554	3.3442	2.7500	E	21,646,693	3.3537	3.3537	725,965	E
	Debt Service	21,087,554	1.0493	0.9000	E	21,646,693	0.9401	0.2963	64,139	E
Cape Girardeau 63 School District	Operating Funds-Schools	537,658,676	3.4360	3.4360	E	543,819,143	3.4777	3.4777	18,912,398	E
	Debt Service	537,658,676	0.8556	0.5924	E	543,819,143	0.8502	0.6790	3,692,532	E
Nell Holcomb R-IV School District	Operating Funds-Schools	44,065,079	3.5029	3.0774		46,303,753	3.6000	3.2074	1,485,147	
Cape Girardeau County	General Revenue	1,026,468,572	0.3362	0.0000		1,052,241,267	0.3377	0.0000	0	
	Road & Bridge	399,043,158	0.2288	0.0000		414,703,771	0.2288	0.0000	0	
	Health	1,026,468,572	0.0961	0.0961		**	**	**		
	Mental Health	1,026,468,572	0.0773	0.0773		1,052,241,267	0.0776	0.0776	816,539	
	Senate Bill 40	1,026,468,572	0.0773	0.0773		1,052,241,267	0.0776	0.0776	816,539	
	Senior Services	1,026,468,572	0.0480	0.0480		1,052,241,267	0.0482	0.0482	507,180	
<u>Carroll</u>										
Carroll County Ambulance District	General Revenue	142,729,634	0.2819	0.2819		156,534,492	0.2686	0.2686	420,452	
Big Creek Watershed Sub Dist	General Revenue	15,749,248	0.3202	0.1000		16,101,884	0.3202	0.3000	48,306	
City of Bogard	General Revenue	952,034	0.9051	0.8500		938,107	0.9411	0.9000	8,443	
City of Bosworth	General Revenue	1,567,243	0.8709	0.8709		1,588,245	0.8780	0.8780	13,945	
Town of Carrollton	General Revenue	31,812,227	0.6771	0.6771		30,774,793	0.7030	0.7030	216,347	
	Parks & Recreation	31,812,227	0.2564	0.2564		30,774,793	0.2662	0.2662	81,922	
	Library	31,812,227	0.2668	0.2668		30,774,793	0.2770	0.2770	85,246	
City of De Witt	General Revenue	493,310	0.8803	0.8803		502,518	0.8804	0.8804	4,424	
City of Hale	General Revenue	2,256,812	0.3407	0.3407		2,256,669	0.3467	0.3467	7,824	
	Lights	2,256,812	0.2684	0.2684		2,256,669	0.2731	0.2731	6,163	
	Streets	2,256,812	0.1548	0.1548		2,256,669	0.1575	0.1575	3,554	
	Debt Service	2,256,812	0.3157	0.3157		2,256,669	0.5139	0.5139	11,597	
City of Norborne	General Revenue	6,128,461	0.7056	0.7056		5,846,732	0.7429	0.7429	43,435	
	Parks & Recreation	6,128,461	0.1714	0.1714		5,846,732	0.1805	0.1805	10,553	
	Library	6,128,461	0.1310	0.1310		5,846,732	0.1379	0.1379	8,063	
Village of Tina	General Revenue	989,319	1.0000	1.0000		926,263	1.0000	1.0000	9,263	
Carrollton Township of Carroll Co	General Revenue	42,744,048	0.0920	0.0920		42,636,819	0.0929	0.0929	39,610	
	Road & Bridge	42,744,048	0.3882	0.3882		42,636,819	0.3921	0.3921	167,179	
Cherry Valley Twsp of Carroll Co	General Revenue	1,136,992	0.1000	0.1000		1,137,076	0.1000	0.1000	1,137	
	Road & Bridge	1,136,992	0.5000	0.5000		1,137,076	0.5000	0.5000	5,685	
	Special Road and Bridge	1,136,992	0.0035	0.3500	AG	1,137,076	0.0035	0.3500	3,980	G 2010
De Witt Township of Carroll Co	General Revenue	8,037,905	0.0994	0.0994		8,054,519	0.0994	0.0994	8,006	
	Road & Bridge	8,037,905	0.4272	0.4272		8,054,519	0.4273	0.4273	34,417	
	Special Road and Bridge	8,037,905	0.3500	0.3500		8,054,519	0.3500	0.3500	28,191	2009
Egypt Township of Carroll Co	General Revenue	11,592,604	0.0933	0.0919		11,495,481	0.0944	0.0919	10,564	
	Road & Bridge	11,592,604	0.3423	0.3369		11,495,481	0.3462	0.3369	38,728	
Eugene Township of Carroll Co	General Revenue	7,069,616	0.0995	0.0995		7,164,698	0.0995	0.0995	7,129	
	Road & Bridge	7,069,616	0.4976	0.4976		7,164,698	0.4976	0.4976	35,652	
	Special Road and Bridge	7,069,616	0.0035	0.3500	AG	7,164,698	0.0035	0.3500	25,076	G 2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Carroll</u>									
Fairfield Township of Carroll Co	General Revenue	2,816,905	0.0828	0.0828	2,844,809	0.0837	0.0837	2,381	
	Road & Bridge	2,816,905	0.4040	0.4040	2,844,809	0.4085	0.4085	11,621	
	Special Road and Bridge	2,816,905	0.3447	0.3447	**	**	**		2007
	Special Road and Bridge	**	**	**	2,844,809	0.3500	0.3500	9,957	A 2010
Hill Township of Carroll Co	General Revenue	4,245,749	0.0913	0.0913	6,549,619	0.0628	0.0628	4,113	
	Road & Bridge	4,245,749	0.4566	0.4566	6,549,619	0.3142	0.3142	20,579	
	Special Road and Bridge	4,245,749	0.0035	0.3500	AG 6,549,619	0.0024	0.2400	15,719	G 2010
Hurricane Township of Carroll Co	General Revenue	7,351,234	0.0904	0.0904	7,634,754	0.0904	0.0904	6,902	
	Road & Bridge	7,351,234	0.4018	0.4018	7,634,754	0.4018	0.4018	30,676	
	Special Road and Bridge	7,351,234	0.0035	0.3500	AG 7,634,754	0.0035	0.3500	26,722	G 2010
Leslie Township of Carroll Co	General Revenue	4,614,258	0.0899	0.0899	5,538,996	0.0793	0.0793	4,392	
	Road & Bridge	4,614,258	0.4298	0.4298	5,538,996	0.3791	0.3791	20,998	
	Special Road and Bridge	4,614,258	0.3500	0.3500	5,538,996	0.3087	0.3087	17,099	2008
Moss Creek Township of Carroll Co	General Revenue	6,257,019	0.1000	0.1000	6,484,606	0.1000	0.1000	6,485	
	Road & Bridge	6,257,019	0.5000	0.5000	6,484,606	0.5000	0.5000	32,423	
	Special Road and Bridge	6,257,019	0.3500	0.3500	6,484,606	0.3500	0.3500	22,696	2009
Prairie Township of Carroll Co	General Revenue	3,878,959	0.0847	0.0847	4,016,248	0.0847	0.0847	3,402	
	Road & Bridge	3,878,959	0.4024	0.4024	4,016,248	0.4024	0.4024	16,161	
	Special Road and Bridge	3,878,959	0.0035	0.3500	AG 4,016,248	0.0035	0.3500	14,057	G 2010
Ridge Township of Carroll Co	General Revenue	5,980,708	0.0989	0.0989	9,144,179	0.0682	0.0682	6,236	
	Road & Bridge	5,980,708	0.4696	0.4696	9,144,179	0.3238	0.3238	29,609	
	Special Road and Bridge	5,980,708	0.0035	0.3500	AG 9,144,179	0.0024	0.2400	21,946	G 2010
Rockford Township of Carroll Co	General Revenue	2,381,112	0.0952	0.0900	3,441,225	0.0708	0.0708	2,436	
	Road & Bridge	2,381,112	0.4016	0.2600	3,441,225	0.2987	0.2987	10,279	
	Special Road and Bridge	2,381,112	0.3500	0.3500	3,441,225	0.2603	0.2603	8,958	2008
Stokes Mound Township of Carroll Co	General Revenue	4,350,928	0.1000	0.1000	4,837,488	0.1000	0.1000	4,837	
	Road & Bridge	4,350,928	0.4735	0.4735	4,837,488	0.4735	0.4735	22,906	
	Special Road and Bridge	4,350,928	0.3500	0.3500	4,837,488	0.3500	0.3500	16,931	2008
Sugartree Township of Carroll Co	General Revenue	1,664,271	0.1000	0.1000	1,636,353	0.1000	0.1000	1,636	
	Road & Bridge	1,664,271	0.5000	0.5000	1,636,353	0.5000	0.5000	8,182	
	Special Road and Bridge	1,664,271	0.0035	0.3500	AG 1,636,353	0.0035	0.3500	5,727	G 2010
Trotter Township of Carroll Co	General Revenue	4,449,059	0.0916	0.0916	4,498,509	0.0926	0.0926	4,166	
	Road & Bridge	4,449,059	0.4586	0.4586	4,498,509	0.4638	0.4638	20,864	
	Special Road and Bridge	4,449,059	0.3455	0.3455	4,498,509	0.3494	0.3494	15,718	2009
Van Horn Township of Carroll Co	General Revenue	6,727,162	0.0964	0.0964	9,955,653	0.0689	0.0689	6,859	
	Road & Bridge	6,727,162	0.4620	0.4620	9,955,653	0.3300	0.3300	32,854	
	Special Road and Bridge	6,727,162	0.3500	0.3500	9,955,653	0.2500	0.2500	24,889	2008
Wakenda Township of Carroll Co	General Revenue	7,986,723	0.0991	0.0991	7,180,727	0.1000	0.1000	7,181	
	Road & Bridge	7,986,723	0.4956	0.4956	7,180,727	0.5000	0.5000	35,904	
	Special Road and Bridge	7,986,723	0.3469	0.3469	7,180,727	0.3500	0.3500	25,133	2009
Washington Township of Carroll Co	General Revenue	3,017,010	0.0934	0.0934	6,295,041	0.0478	0.0478	3,009	
	Road & Bridge	3,017,010	0.4357	0.4357	6,295,041	0.2232	0.2232	14,051	
	Special Road and Bridge	3,017,010	0.3467	0.3467	6,295,041	0.1776	0.1776	11,180	2008
Combs Township of Carroll Co	General Revenue	6,427,372	0.0953	0.0953	5,987,692	0.1000	0.1000	5,988	
	Road & Bridge	6,427,372	0.4655	0.4655	5,987,692	0.5000	0.5000	29,938	
	Special Road and Bridge	6,427,372	0.3500	0.3500	5,987,692	0.3500	0.3500	20,957	2008
North Central Carroll Fire Prot Dis	General Revenue	16,441,152	0.2672	0.2672	23,137,844	0.2015	0.2015	46,623	
Carroll County Fire Protection Dist	General Revenue	48,207,905	0.2855	0.2600	52,887,302	0.2743	0.2600	137,507	
Norborne Fire Protection District	General Revenue	17,782,527	0.2945	0.2500	17,774,209	0.2958	0.2958	52,576	
Hale Fire Protection District	General Revenue	13,403,791	0.2872	0.2872	14,022,813	0.2872	0.2872	40,274	
Carroll County Health Department	General Revenue	**	**	**	156,534,492	0.0940	0.0940	147,142	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Carroll</u>										
Hale R-I School District	Operating Funds-Schools	7,396,763	4.8951	4.6951	BE	7,540,148	4.8951	4.8951	369,098	E
Tina-Avalon R-II School District	Operating Funds-Schools	8,836,201	3.6516	3.6516	E	9,113,631	3.8288	3.6516	332,793	E
Bosworth R-V School District	Operating Funds-Schools	7,104,951	4.0408	4.0408	E	7,145,160	4.0522	4.0522	289,536	E
Carrollton R-VII School District	Operating Funds-Schools	57,841,724	3.3551	3.3551	E	56,874,448	3.3731	3.3731	1,918,432	E
	Operating Funds-Temp	57,841,724	1.3407	1.3407	AE	56,874,448	1.3407	1.3407	762,516	E 2026
Norborne R-VIII School District	Operating Funds-Schools	13,238,843	3.8000	3.8000	E	13,177,839	3.8800	3.8800	511,300	E
	Debt Service	13,238,843	0.2750	0.2000	E	13,177,839	0.2647	0.2000	26,356	E
Carroll County	General Revenue	142,729,634	0.3620	0.2400		156,534,492	0.3449	0.2300	360,029	
	Johnson Grass	142,729,634	0.0494	0.0100		156,534,492	0.0471	0.0100	15,653	
	Health	142,729,634	0.0987	0.0987		**	**	**		
	Senate Bill 40	142,729,634	0.0987	0.0987		156,534,492	0.0940	0.0940	147,142	
<u>Carter</u>										
East Carter County Ambulance Dist	General Revenue	20,846,061	0.3938	0.3938		21,578,741	0.3938	0.3938	84,977	
West Carter County Ambulance Dist	General Revenue	25,550,832	0.3878	0.3878		25,881,828	0.3892	0.3892	100,732	
City of Grandin	General Revenue	843,316	0.7746	0.7746		830,254	0.8137	0.8137	6,756	
	Debt Service	843,316	0.0000	0.0000		**	**	**		
Carter County Library	General Revenue	46,396,891	0.1980	0.1980		47,486,048	0.1980	0.1980	94,022	
Ellsinore Rural Fire Prot Dist	General Revenue	11,721,741	0.1500	0.1500		11,953,710	0.1500	0.1500	17,931	
Eastwood Fire Protection District	General Revenue	1,992,085	0.2430	0.2430		2,007,041	0.2430	0.2430	4,877	
Fremont Fire Protection District	General Revenue	2,307,151	0.3500	0.3500		2,361,815	0.3500	0.3500	8,266	
Carter County Health Center	General Revenue	**	**	**		47,486,048	0.2477	0.2477	117,623	
East Carter Co R-II School District	Operating Funds-Schools	25,842,539	2.7500	2.7500	E	26,872,043	2.7500	2.7500	738,981	E
Van Buren R-I School District	Operating Funds-Schools	26,026,771	2.7500	2.7500	F	26,492,659	2.7500	2.7500	728,548	F
Carter County	General Revenue	46,396,891	0.3144	0.0871		47,486,048	0.3144	0.0627	29,774	
	Road & Bridge	46,396,891	0.2333	0.2333		47,486,048	0.2333	0.2333	110,785	
	Health	46,396,891	0.2477	0.2477		**	**	**		
	Senate Bill 40	46,396,891	0.0812	0.0812		47,486,048	0.0812	0.0812	38,559	
	Senior Services	46,396,891	0.0297	0.0297		47,486,048	0.0297	0.0297	14,103	
<u>Cass</u>										
Cass Medical Center	General Revenue	1,236,252,679	0.1335	0.1335		1,288,494,748	0.1335	0.1335	1,720,140	
Mt Pleasant Spec Rd Dist Cass Co	Road & Bridge	234,564,817	0.1993	0.1993		244,919,856	0.1995	0.1995	488,615	
City of Archie	General Revenue	9,524,913	0.6034	0.6034		9,894,993	0.6034	0.6034	59,706	
City of Belton	General Revenue	220,545,625	0.5197	0.5197		226,538,334	0.5245	0.5245	1,188,194	
	Parks & Recreation	220,545,625	0.2310	0.2310		226,538,334	0.2332	0.2332	528,287	
	Debt Service	220,545,625	1.2100	0.8000		226,538,334	1.0756	0.8000	1,812,307	
City of Cleveland	General Revenue	8,181,715	0.4773	0.4773		8,368,585	0.4773	0.4773	39,943	
City of Creighton	General Revenue	1,998,882	0.8209	0.8209		2,105,167	0.8124	0.8124	17,102	
City of Drexel	General Revenue	8,590,505	0.5675	0.5600		9,017,196	0.5675	0.5675	51,173	
	Debt Service	8,590,505	0.3841	0.3800		9,017,196	0.3416	0.3416	30,803	
City of East Lynne	General Revenue	2,377,491	0.8224	0.8224		2,574,624	0.8233	0.8233	21,197	
	Debt Service	2,377,491	0.1150	0.1150		2,574,624	0.2260	0.2260	5,819	
City of Freeman	General Revenue	4,052,022	0.5488	0.5488		4,102,874	0.5539	0.5539	22,726	
City of Garden City	General Revenue	13,945,869	0.3943	0.3943		13,918,722	0.3984	0.3984	55,452	
City of Harrisonville	General Revenue	115,170,896	0.5278	0.5278		115,086,917	0.5358	0.5358	616,636	
	Parks & Recreation	115,170,896	0.1195	0.1195		115,086,917	0.1213	0.1213	139,600	
	Ambulance	115,170,896	0.1195	0.1195		115,086,917	0.1213	0.1213	139,600	
City of Lake Winnebago	General Revenue	30,510,577	0.9269	0.9269		31,259,230	0.9287	0.9287	290,304	
	Debt Service	30,510,577	0.1890	0.1890		31,259,230	0.5229	0.5229	163,455	
City of Peculiar	General Revenue	46,984,257	0.4231	0.4231		51,718,013	0.4231	0.4231	218,819	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Cass</u>									
City of Peculiar	Debt Service	46,984,257	0.5245	0.4000	51,718,013	0.1936	0.0000	0	
City of Pleasant Hill	General Revenue	86,323,210	0.3557	0.3557	91,057,445	0.3557	0.3557	323,891	
	Parks & Recreation	86,323,210	0.0711	0.0711	91,057,445	0.0711	0.0711	64,742	
	Health	86,323,210	0.0711	0.0711	91,057,445	0.0711	0.0711	64,742	
	Road	86,323,210	0.1334	0.1334	91,057,445	0.1334	0.1334	121,471	
	Debt Service	86,323,210	0.6045	0.1077	91,057,445	0.9867	0.1077	98,069	
	General Revenue	231,780,495	0.4647	0.4647	249,022,530	0.4647	0.4647	1,157,208	
City of Raymore	Parks & Recreation	231,780,495	0.1251	0.1251	249,022,530	0.1251	0.1251	311,527	
	Debt Service	231,780,495	1.2670	0.7170	249,022,530	1.2228	0.7170	1,785,492	
City of Strasburg	General Revenue	903,489	0.8831	0.8831	1,018,737	0.8853	0.8853	9,019	
Village of West Line	General Revenue	741,605	0.6127	0.6127	784,036	0.6118	0.6118	4,797	
Village of Baldwin Park	General Revenue	484,541	0.4043	0.4043	470,901	0.4173	0.4173	1,965	
City of Lake Annette	General Revenue	645,660	0.2000	0.2000	612,240	0.2000	0.2000	1,224	
	Debt Service	645,660	2.6687	2.6687	612,240	2.2655	2.2655	13,870	
Village of Riverview Estates	General Revenue	1,063,710	0.5000	0.5000	1,081,870	0.5000	0.5000	5,409	
Cass County Public Library	General Revenue	1,236,252,679	0.1525	0.1525	1,288,494,748	0.1500	0.1500	1,932,742	
Central Cass County Fire Prot Dist	General Revenue	97,515,142	0.2504	0.2504	104,167,313	0.2504	0.2504	260,835	
	Ambulance	97,515,142	0.1403	0.1403	104,167,313	0.2503	0.2503	260,731	
	Debt Service	97,515,142	0.4184	0.2600	104,167,313	0.3857	0.1500	156,251	
Garden City Fire District	General Revenue	36,188,864	0.2353	0.2353	37,285,796	0.2200	0.2200	82,029	
	Ambulance	36,188,864	0.2967	0.2967	37,285,796	0.2967	0.2967	110,627	
South Metropolitan Fire Prot Dist	General Revenue	313,491,928	0.5429	0.4717	332,250,032	0.5429	0.4719	1,567,888	
	Ambulance	313,491,928	0.4252	0.3694	332,250,032	0.4252	0.3696	1,227,996	
	Dispatch	313,491,928	0.0453	0.0394	332,250,032	0.0453	0.0394	130,907	
	Debt Service	313,491,928	0.2430	0.1525	332,250,032	0.2137	0.1525	506,681	
West Peculiar Fire Protection Dist	General Revenue	98,379,688	0.6947	0.6947	103,149,407	0.6947	0.6947	716,579	
	Ambulance	98,379,688	0.2837	0.2837	103,149,407	0.2837	0.2837	292,635	
	Dispatch	98,379,688	0.0489	0.0489	103,149,407	0.0489	0.0489	50,440	
	Debt Service	98,379,688	0.1086	0.1086	103,149,407	0.0865	0.0865	89,224	
Creighton Fire Protection Dist	General Revenue	8,185,005	0.2570	0.2570	8,914,739	0.2476	0.2476	22,073	
Western Cass Fire Protection Dist	General Revenue	34,775,416	0.4082	0.4082	35,484,092	0.4082	0.4082	144,846	
	Dispatch	34,775,416	0.0481	0.0481	35,484,092	0.0481	0.0481	17,068	
Dolan & West Dolan Fire Prot Dist	General Revenue	29,236,153	0.2767	0.2767	30,667,715	0.2767	0.2767	84,858	
East Lynne-Gunn City Fire Prot Dist	General Revenue	17,174,070	0.2981	0.2981	17,526,533	0.3000	0.3000	52,580	
Mount Pleasant Fire Protection Dist	General Revenue	66,437,042	0.2856	0.2500	71,222,404	0.2856	0.2500	178,056	
Pleasant Hill Fire Protection Dist	General Revenue	145,245,692	0.4500	0.4500	A 149,558,100	0.4500	0.4500	673,011	
	Ambulance	145,245,692	0.3000	0.3000	A 149,558,100	0.3000	0.3000	448,674	
Dikeland Sewer District	General Revenue	1,068,823	0.7067	0.0000	1,067,344	0.7076	0.0000	0	
Cass Co R-V School District	Operating Funds-Schools	28,393,970	3.7028	3.4800	E 29,690,194	3.6995	3.6995	1,098,389	E
	Debt Service	28,393,970	0.9031	0.6700	E 29,690,194	0.8059	0.5505	163,445	E
Strasburg C-3 School District	Operating Funds-Schools	11,022,082	4.0715	4.0715	E 11,501,102	4.0778	4.0778	468,992	E
	Debt Service	11,022,082	1.3376	1.0000	E 11,501,102	1.2294	1.1200	128,812	E
Raymore-Peculiar R-II School Dist	Operating Funds-Schools	419,229,937	3.7072	3.7072	E 445,077,128	3.7005	3.7005	16,470,079	E
	Debt Service	419,229,937	2.6493	1.3325	E 445,077,128	2.2618	1.3392	5,960,473	E
Sherwood Cass R-VIII School Dist	Operating Funds-Schools	46,068,136	3.1790	3.1790	E 48,683,541	3.1899	3.1899	1,552,956	E
	Debt Service	46,068,136	1.0000	1.0000	E 48,683,541	1.0006	1.0000	486,835	E
East Lynne 40 School District	Operating Funds-Schools	13,161,131	4.3724	3.5053	13,800,514	4.3816	3.8475	530,975	
	Debt Service	13,161,131	0.3690	0.3422	13,800,514	0.0000	0.0000	0	
Pleasant Hill R-III School District	Operating Funds-Schools	131,484,779	3.7799	3.4845	E 135,921,291	3.7955	3.7955	5,158,893	E
	Debt Service	131,484,779	1.6538	1.2500	E 135,921,291	1.4179	0.9390	1,276,301	E
Harrisonville R-IX School District	Operating Funds-Schools	174,099,743	4.2072	4.0600	E 180,058,639	4.2072	4.2072	7,575,427	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Cass</u>										
Harrisonville R-IX School District	Debt Service	174,099,743	1.4199	0.8700	E	180,058,639	1.2191	0.8700	1,566,510	E
Drexel R-IV School District	Operating Funds-Schools	17,259,973	4.3812	4.3800	E	17,760,778	4.3785	4.3785	777,656	E
	Debt Service	17,259,973	1.1154	0.6500	E	17,760,778	1.4543	0.9000	159,847	E
Midway R-I School District	Operating Funds-Schools	38,247,456	4.9288	4.3651		40,094,058	4.9720	4.4083	1,767,466	
	Debt Service	38,247,456	1.0299	0.3700		40,094,058	1.0299	0.3700	148,348	
Belton 124 School District	Operating Funds-Schools	286,902,311	4.0419	4.0628	EC	298,196,235	4.0572	4.0773	12,158,355	EC
	Debt Service	286,902,311	2.6399	1.1800	E	298,196,235	1.9215	1.1800	3,518,716	E
Cass County	Road & Bridge	1,001,687,862	0.2480	0.2480		1,043,574,896	0.2480	0.2480	2,588,066	
	Senate Bill 40	1,236,252,679	0.0381	0.0381		1,288,494,748	0.0381	0.0381	490,916	
<u>Cedar</u>										
Cedar County Ambulance District	General Revenue	152,947,539	0.0948	0.0000		**	**	**		
Cedar County Memorial Hospital	General Revenue	152,947,539	0.1422	0.1422		155,225,438	0.1430	0.1430	221,972	
Bear Creek Spec Rd Dist Cedar Co	Special Road and Bridge	5,391,816	0.3303	0.3303		5,408,774	0.3339	0.3339	18,060	2009
Bethel Special Road Dist Cedar Co	Special Road and Bridge	863,418	0.3298	0.3298		877,393	0.3299	0.3299	2,895	2009
Caplinger Mills Sp Rd Dist Cedar Co	Special Road and Bridge	2,791,079	0.3426	0.3426		2,814,636	0.3444	0.3444	9,694	2009
Cedar Hall Spec Rd Dist Cedar Co	Special Road and Bridge	964,497	0.3393	0.3393		1,030,880	0.3393	0.3393	3,498	2009
Eldorado Spgs Spec Rd Dist Cedar Co	Special Road and Bridge	47,979,661	0.3335	0.3335		48,286,647	0.3386	0.3386	163,499	2009
Independence Sp Rd Dist Cedar Co	Special Road and Bridge	1,096,232	0.3260	0.3260		1,083,136	0.3389	0.3389	3,671	2009
Koncord Spec Rd Dist Cedar Co	Special Road and Bridge	3,719,797	0.3082	0.3082		3,715,509	0.3320	0.3320	12,335	2009
Madison Spec Rd Dist Cedar Co	Special Road and Bridge	1,594,304	0.3260	0.3260		1,808,306	0.3267	0.3267	5,908	2009
Masters Spec Rd Dist Cedar Co	Special Road and Bridge	2,091,354	0.3474	0.3474		1,915,026	0.3500	0.3500	6,703	2009
Omer Special Road Dist Cedar Co	Special Road and Bridge	1,072,355	0.3425	0.3425		1,054,178	0.3500	0.3500	3,690	2008
Rowland Special Road Dist Cedar Co	Special Road and Bridge	5,571,266	0.3290	0.3290		5,744,016	0.3290	0.3290	18,898	2009
Dogwood Special Road District	Common Road District	771,050	0.3287	0.3287		**	**	**		2007
	Common Road District	**	**	**		839,178	0.3500	0.3500	2,937	A 2011
City of El Dorado Springs	General Revenue	31,825,526	0.5207	0.5207		32,048,256	0.5316	0.5316	170,369	
	Band	31,825,526	0.1254	0.0954		32,048,256	0.1280	0.1280	41,022	
	Park	31,825,526	0.1928	0.1928		32,048,256	0.1968	0.1968	63,071	
	Recreation	31,825,526	0.0950	0.0950		32,048,256	0.0970	0.0970	31,087	
Village of Jerico Springs	General Revenue	879,411	0.4706	0.4706		900,936	0.4731	0.4731	4,262	
City of Stockton	General Revenue	23,436,959	0.4060	0.4060		23,324,756	0.4140	0.4140	96,564	
	Parks & Recreation	23,436,959	0.0966	0.0000		23,324,756	0.0985	0.0000	0	
Village of Umber View Heights	General Revenue	761,565	0.2140	0.2140		750,350	0.2172	0.2172	1,630	
Cedar County Library District	General Revenue	152,947,539	0.0758	0.0737		155,225,438	0.0762	0.0762	118,282	
Cedar County Chapel Hills FPD	General Revenue	19,041,300	0.2000	0.2000	A	20,469,042	0.2000	0.2000	40,938	
Korth Special Road Subdistrict	Special Road and Bridge	2,756,560	0.3500	0.3500		3,168,421	0.3345	0.3345	10,598	2009
Stockton R-I School District	Operating Funds-Schools	81,318,410	3.4277	3.4277	E	83,161,668	3.4710	3.4710	2,886,541	E
El Dorado Springs R-II School Dist	Operating Funds-Schools	79,462,454	3.0510	2.7500	F	79,598,682	3.0897	3.0897	2,459,360	F
	Debt Service	79,462,454	0.4902	0.4900	F	79,598,682	0.4900	0.4900	390,034	F
Cedar County	General Revenue	152,947,539	0.3032	0.1594		155,225,438	0.3049	0.1550	240,599	
	Road & Bridge	152,947,539	0.2274	0.2274		155,225,438	0.2286	0.2286	354,845	
	Senior Services	152,947,539	0.0474	0.0474		155,225,438	0.0477	0.0474	73,577	
<u>Chariton</u>										
Chariton County Ambulance District	General Revenue	120,980,464	0.2583	0.2400		138,998,071	0.2585	0.2585	359,310	
City of Brunswick	General Revenue	6,253,665	0.8636	0.8636		6,167,864	0.8793	0.8636	53,266	
Village of Dalton	General Revenue	436,202	0.4990	0.4990		464,389	0.4991	0.4991	2,318	
City of Keytesville	General Revenue	2,555,238	0.8283	0.8283		2,632,408	0.8348	0.8348	21,975	
	Parks & Recreation	2,555,238	0.2000	0.2000		2,632,408	0.2000	0.2000	5,265	
City of Mendon	General Revenue	1,238,430	0.8410	0.8410		1,231,359	0.8507	0.8507	10,475	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Chariton</u>										
Village of Rothville	General Revenue	289,450	0.9039	0.7300		307,989	0.9122	0.9000	2,772	
City of Salisbury	General Revenue	14,352,639	0.6994	0.6994		14,341,047	0.7057	0.7057	101,205	
	Parks & Recreation	14,352,639	0.1675	0.1675		14,341,047	0.1690	0.1690	24,236	
	Library	14,352,639	0.0974	0.0974		14,341,047	0.0983	0.0983	14,097	
	Museum	14,352,639	0.1281	0.1281		14,341,047	0.1292	0.1292	18,529	
City of Sumner	General Revenue	745,303	1.0000	1.0000		803,010	1.0000	1.0000	8,030	
	Streets	745,303	0.2500	0.2500	A	803,010	0.2500	0.2500	2,008	2009
City of Triplett	General Revenue	333,971	0.9998	0.9998		309,577	1.0000	1.0000	3,096	
Bee Branch Township of Chariton Co	Road & Bridge	3,845,187	0.5000	0.5000		3,856,883	0.5000	0.5000	19,284	
	Special Road and Bridge	3,845,187	0.3500	0.3500	A	3,856,883	0.3500	0.3500	13,499	2010
Bowling Green Township, Chariton Co	Road & Bridge	4,903,053	0.3476	0.3476		4,994,536	0.3476	0.3476	17,361	
	Special Road and Bridge	4,903,053	0.3346	0.3346	A	4,994,536	0.3346	0.3346	16,712	2010
Brunswick Township of Chariton Co	Road & Bridge	17,772,612	0.4924	0.4924		20,853,942	0.4959	0.4959	103,415	
	Special Road and Bridge	17,772,612	0.1576	0.1576		20,853,942	0.1576	0.1576	32,866	2008
Chariton Township of Chariton Co	Road & Bridge	6,570,136	0.3271	0.3271		6,481,638	0.3323	0.3323	21,538	
	Special Road and Bridge	6,570,136	0.2137	0.2137		6,481,638	0.2137	0.2137	13,851	2008
Clark Township of Chariton Co	Road & Bridge	5,507,266	0.4979	0.4979		5,575,016	0.5000	0.5000	27,875	
	Special Road and Bridge	5,507,266	0.3485	0.3485		5,575,016	0.3500	0.3500	19,513	2009
Cockrell Township of Chariton Co	Road & Bridge	2,803,224	0.5000	0.5000		2,881,676	0.5000	0.5000	14,408	
	Special Road and Bridge	2,803,224	0.3500	0.3500	A	2,881,676	0.3500	0.3500	10,086	2010
Cunningham Township of Chariton Co	Road & Bridge	5,551,335	0.4927	0.4927		5,656,841	0.4931	0.4931	27,894	
	Special Road and Bridge	5,551,335	0.2956	0.2956		5,656,841	0.2956	0.2956	16,722	2008
Keytesville Township of Chariton Co	Road & Bridge	11,345,864	0.3937	0.3937		16,147,307	0.3953	0.3953	63,830	
	Special Road and Bridge	11,345,864	0.3436	0.3436	A	16,147,307	0.3436	0.3436	55,482	2010
Mendon Township of Chariton Co	Road & Bridge	5,778,083	0.4948	0.4948		5,889,848	0.4948	0.4948	29,143	
	Special Road and Bridge	5,778,083	0.3500	0.3500		5,889,848	0.3500	0.3500	20,614	2008
Musselfork Township of Chariton Co	Road & Bridge	5,425,085	0.3368	0.3368		5,621,402	0.3369	0.3369	18,939	
	Special Road and Bridge	5,425,085	0.2293	0.2293		5,621,402	0.2293	0.2293	12,890	2008
Salisbury Township of Chariton Co	Road & Bridge	33,677,144	0.4920	0.4920		38,775,749	0.4920	0.4920	190,777	
	Special Road and Bridge	33,677,144	0.1495	0.1495	A	38,775,749	0.1495	0.1495	57,970	2010
Salt Creek Township of Chariton Co	Road & Bridge	3,905,135	0.4605	0.4605		3,818,640	0.4738	0.4738	18,093	
	Special Road and Bridge	3,905,135	0.3203	0.3203		3,818,640	0.3203	0.3203	12,231	2008
Triplett Township of Chariton Co	Road & Bridge	4,970,314	0.4890	0.4890		9,206,891	0.4928	0.4928	45,372	
	Special Road and Bridge	4,970,314	0.3423	0.3423		9,206,891	0.3423	0.3423	31,515	2008
Wayland Township of Chariton Co	Road & Bridge	3,671,856	0.5000	0.5000		3,698,257	0.5000	0.5000	18,491	
	Special Road and Bridge	3,671,856	0.2000	0.2000		3,698,257	0.2000	0.2000	7,397	2008
Yellow Creek Township, Chariton Co	Road & Bridge	5,254,170	0.4920	0.4920		5,539,445	0.4920	0.4920	27,254	
	Special Road and Bridge	5,254,170	0.3477	0.3477	A	5,539,445	0.3477	0.3477	19,261	2010
Keytesville Fire Protection Dist	General Revenue	15,881,202	0.1969	0.1969		20,774,687	0.1969	0.1969	40,905	
Mendon Fire Protection District	General Revenue	11,604,196	0.2903	0.2000		11,642,556	0.2917	0.2200	25,614	
Sumner Community Fire Prot Dist	General Revenue	4,731,817	0.3000	0.3000		4,868,104	0.3000	0.3000	14,604	
Yellow Creek Fire Protection Dist	General Revenue	4,281,383	0.2944	0.2900		4,519,119	0.2944	0.2944	13,304	
Chariton County Health Center	General Revenue	**	**	**		138,998,071	0.0994	0.0994	138,164	
Northwestern R-I School District	Operating Funds-Schools	12,500,989	3.9738	3.9738	E	12,871,010	4.0587	4.0587	522,396	E
	Debt Service	12,500,989	1.0106	0.9900	E	12,871,010	1.1467	0.9900	127,423	E
Brunswick R-II School District	Operating Funds-Schools	16,633,217	3.6536	3.6136	E	16,473,031	3.7500	3.6500	601,266	E
	Debt Service	16,633,217	0.4501	0.3900	E	16,473,031	0.5838	0.3900	64,245	E
Keytesville R-III School District	Operating Funds-Schools	12,582,042	4.0475	3.9900	E	13,168,998	4.0736	4.0736	536,452	E
Salisbury R-IV School District	Operating Funds-Schools	40,517,579	5.0826	5.0200	BE	40,678,483	5.0826	4.9200	2,001,381	E
Chariton County	General Revenue	120,980,464	0.3974	0.2850		138,998,071	0.3977	0.2850	396,145	
	Health	120,980,464	0.0993	0.0993		**	**	**		

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Chariton</u>									
Chariton County	Senate Bill 40	120,980,464	0.0993	0.0900	138,998,071	0.0994	0.0900	125,098	
	Township	120,980,464	0.0993	0.0993	138,998,071	0.0994	0.0994	138,164	
<u>Christian</u>									
Christian County Ambulance District	General Revenue	794,471,800	0.1300	0.1300	850,515,658	0.1300	0.1300	1,105,670	2009
Billings Spec Rd Dist Christian Co	Road & Bridge	39,404,066	0.2079	0.2000	41,141,800	0.2079	0.2000	82,284	
	Special Road and Bridge	39,404,066	0.3500	0.1600	41,141,800	0.3500	0.1600	65,827	
Garrison Spec Rd Dist Christian Co	Road & Bridge	1,388,821	0.2278	0.0000	1,490,596	0.2278	0.2278	3,396	
Nixa Special Road Dist Christian Co	Road & Bridge	210,685,348	0.0930	0.0930	223,067,921	0.0930	0.0930	207,453	
Ozark Special Rd Dist Christian Co.	Road & Bridge	273,739,153	0.1528	0.1400	317,767,944	0.1471	0.1400	444,875	
Selmore Spec Rd Dist Christian Co	Road & Bridge	14,447,919	0.1777	0.1777	15,564,080	0.1780	0.1780	27,704	
South Sparta Road Dist Christian Co	Road & Bridge	8,499,916	0.1707	0.1707	9,043,027	0.1707	0.1707	15,436	
Stoneshire Sp Rd Dist Christian Co	Road & Bridge	2,592,734	0.1426	0.1426	2,859,214	0.1426	0.1426	4,077	
City of Billings	General Revenue	8,175,899	0.5614	0.5614	8,138,172	0.5640	0.5640	45,899	
	Parks & Recreation	8,175,899	0.1630	0.1630	8,138,172	0.1638	0.1638	13,330	
City of Clever	General Revenue	13,858,749	0.6218	0.6218	15,616,563	0.6218	0.6218	97,104	
City of Nixa	General Revenue	175,969,737	0.3257	0.3257	187,286,468	0.3257	0.3257	609,992	
City of Ozark	General Revenue	164,602,698	0.2353	0.2353	179,252,392	0.2353	0.2353	421,781	
	Parks & Recreation	164,602,698	0.0588	0.0588	179,252,392	0.0588	0.0588	105,400	
City of Sparta	General Revenue	11,730,701	0.3762	0.3762	12,760,974	0.3762	0.3762	48,007	
City of Fremont Hills	General Revenue	17,580,314	0.6119	0.4548	19,546,354	0.6119	0.6071	118,666	
	Debt Service	17,580,314	0.3052	0.3052	19,546,354	0.1529	0.1529	29,886	
Christian County Library District	General Revenue	879,944,735	0.0870	0.0870	939,359,113	0.0870	0.0870	817,242	
Ozark Rural Fire Protection Dist	General Revenue	350,643,629	0.3888	0.3888	379,198,466	0.3888	0.3888	1,474,324	
Nixa Fire Protection District	General Revenue	342,677,495	0.6338	0.6338	362,747,017	0.6349	0.6349	2,303,081	
Billings Fire Protection District	General Revenue	47,056,408	0.3939	0.3939	48,163,376	0.3939	0.3939	189,716	
Clever Fire Protection District	General Revenue	51,716,170	0.3784	0.3784	54,148,079	0.3784	0.3784	204,896	
Highlandville Fire Protection Dist	General Revenue	61,035,842	0.3765	0.3765	66,094,436	0.3765	0.3765	248,846	
Sparta Fire Protection District	General Revenue	33,041,773	0.2728	0.2728	34,828,778	0.2734	0.2734	95,222	
Chadwick Rural Fire Protection Dist	General Revenue	8,399,393	0.2960	0.2960	8,638,716	0.2982	0.2982	25,761	
Christian County Health Department	General Revenue	**	**	**	939,359,113	0.0435	0.0435	408,621	
Chadwick R-I School District	Operating Funds-Schools	10,219,921	3.5780	3.5707	E 10,528,031	3.6121	3.6121	380,283	E
	Debt Service	10,219,921	1.1937	1.1290	E 10,528,031	1.1560	1.0876	114,503	E
Nixa R-II School District	Operating Funds-Schools	344,165,209	3.2434	3.2434	E 364,749,372	3.2434	3.2434	11,830,281	E
	Debt Service	344,165,209	1.2609	1.0666	E 364,749,372	1.2942	1.0666	3,890,417	E
Sparta R-III School District	Operating Funds-Schools	31,126,383	2.7500	2.7500	E 32,971,222	2.7500	2.7500	906,709	E
	Debt Service	30,948,995	1.4375	0.7500	E 32,971,222	1.3475	0.7500	247,284	E
Billings R-IV School District	Operating Funds-Schools	27,141,418	3.1190	3.1190	E 28,516,666	3.1254	3.1254	891,260	E
	Debt Service	27,141,418	1.2303	0.8500	E 28,516,666	1.1312	0.8500	242,392	E
Clever R-V School District	Operating Funds-Schools	50,845,924	3.5446	3.5446	BE 52,816,608	3.5368	3.5368	1,868,018	E
	Debt Service	50,845,924	1.0914	0.9000	E 52,816,608	1.5500	0.9108	481,054	E
Ozark R-VI School District	Operating Funds-Schools	329,144,309	3.0639	3.0639	E 361,358,606	3.1639	3.1639	11,433,025	BE
	Debt Service	329,144,309	1.5293	1.0761	E 361,358,606	1.3218	0.9761	3,527,221	E
Spokane R-VII School District	Operating Funds-Schools	47,322,491	3.3678	3.3678	E 51,964,714	3.3263	3.3263	1,728,502	E
	Debt Service	47,322,491	0.9239	0.8968	E 51,964,714	0.9578	0.8968	466,020	E
Christian County	General Revenue	879,944,735	0.2175	0.0000	959,359,113	0.2175	0.0000	0	
	Health	879,944,735	0.0435	0.0435	**	**	**		
	Senate Bill 40	879,944,735	0.0783	0.0783	939,359,113	0.0783	0.0783	735,518	
	Senior Services	879,944,735	0.0005	0.0462	G 939,359,113	0.0005	0.0462	433,984	G
	Common 1 Road & Bridge	93,457,851	0.1896	0.0000	98,953,242	0.1896	0.0000	0	
	Common 2 Road & Bridge	213,856,197	0.0695	0.0000	227,359,667	0.0698	0.0000	0	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Clark</u>									
Clark County Ambulance District	General Revenue	87,009,781	0.2848	0.2848	87,856,562	0.2895	0.2895	254,345	
Clark County Nursing Home District	General Revenue	87,009,781	0.1139	0.1139	87,856,562	0.1158	0.1158	101,738	
Wayland Special Rd Dist Clark Co	Road & Bridge	13,063,202	0.3209	0.3209	11,923,521	0.3500	0.3500	41,732	
City of Alexandria	General Revenue	1,296,957	0.8986	0.8000	1,308,374	0.8986	0.8000	10,467	
City of Kahoka	General Revenue	16,194,677	0.6995	0.6995	16,432,955	0.6995	0.6995	114,949	
	Parks & Recreation	16,194,677	0.1352	0.1352	16,432,955	0.1352	0.1352	22,217	
	Library	16,194,677	0.2163	0.2163	16,432,955	0.2163	0.2163	35,544	
Village of Luray	General Revenue	304,296	0.5825	0.5825	296,735	0.5975	0.5975	1,773	
City of Wayland	General Revenue	5,318,859	0.5778	0.5778	4,610,228	0.6691	0.6691	30,847	
	Streets	5,318,859	0.2231	0.2231	4,610,228	0.2500	0.2500	11,526	
City of Wyaconda	General Revenue	1,442,247	0.9349	0.9349	1,432,557	0.9447	0.9447	13,533	
Village of Revere	General Revenue	548,968	1.0000	1.0000	573,531	1.0000	1.0000	5,735	
Clark County Library	General Revenue	70,815,082	0.0960	0.0960	71,423,587	0.0980	0.0980	69,995	
Alexandria Fire Protection Dist	General Revenue	7,545,288	0.2660	0.2660	7,773,321	0.2660	0.2660	20,677	
Clark County Health Department	General Revenue	**	**	**	87,856,562	0.0965	0.0965	84,782	
Wyaconda C-1 School District	Operating Funds-Schools	3,761,720	4.7500	4.7500	E	**	**	**	
Revere C-3 School District	Operating Funds-Schools	6,281,870	4.6995	4.6995	E	7,031,255	4.7203	4.7203	331,896 E
Luray 33 School District	Operating Funds-Schools	4,204,503	4.0717	4.0717	E	4,248,494	4.0132	4.0132	170,501 E
Clark Co. R-I School District	Operating Funds-Schools	59,853,531	2.8953	2.7500	F	64,034,794	2.9260	2.7500	1,760,957 F
	Debt Service	59,853,531	1.0763	0.7500	F	64,034,794	1.0146	0.7500	480,261 F
Clark County	General Revenue	87,009,781	0.4746	0.3359		87,856,562	0.4824	0.3218	282,722
	Road & Bridge	73,946,579	0.3316	0.3316		75,933,042	0.3316	0.3316	251,794
	Special Road and Bridge	73,946,579	0.3316	0.3316		**	**	**	2007
	Health	87,009,781	0.0949	0.0949		**	**	**	
	Special Road and Bridge	**	**	**		75,933,042	0.0035	0.3500	265,766 AG 2011
<u>Clay</u>									
Eastern Clay County Ambulance Dist	General Revenue	30,393,650	0.2799	0.2799		31,377,957	0.2799	0.2799	87,827
New Liberty Hospital District	General Revenue	900,641,187	0.1343	0.1343		950,658,655	0.1349	0.1349	1,282,439
City of Avondale	General Revenue	4,444,961	0.3994	0.3994		4,350,613	0.4103	0.4080	17,751
	Debt Service	4,444,961	0.6974	0.6974		4,350,613	0.7355	0.7355	31,999
Village of Birmingham	General Revenue	3,086,816	0.2436	0.2436		2,516,182	0.2988	0.2436	6,129
Village of Claycomo	General Revenue	113,738,881	0.3300	0.3300		116,493,121	0.3300	0.3300	384,427
	Debt Service	113,738,881	0.1435	0.1435		116,493,121	0.1405	0.1405	163,673
City of Excelsior Springs	General Revenue	128,960,941	0.5720	0.5720		128,359,482	0.5819	0.5819	746,924
	Hospital	132,465,081	0.1604	0.1604		131,837,266	0.1631	0.1631	215,027
	Parks	132,465,081	0.1604	0.1604		131,837,266	0.1631	0.1631	215,027
	Recreation	132,465,081	0.1604	0.1604		131,837,266	0.1631	0.1631	215,027
City of Glenaire	General Revenue	6,257,663	0.5976	0.5976		6,322,915	0.6002	0.6002	37,950
City of Holt	General Revenue	5,067,240	0.4313	0.4313		5,033,854	0.4356	0.4356	21,927
City of Kearney	General Revenue	127,667,063	0.6891	0.5800		133,398,093	0.6891	0.5800	773,709
	Debt Service	127,667,063	0.0518	0.0500		133,398,093	0.0635	0.0500	66,699
City of Liberty	General Revenue	482,933,053	0.7955	0.7955		494,017,780	0.7955	0.7955	3,929,911
	Parks & Recreation	482,933,053	0.1403	0.1403		494,017,780	0.1403	0.1403	693,107
City of Missouri City	General Revenue	2,111,321	0.9000	0.9000		2,125,085	0.9000	0.9000	19,126
City of Mosby	General Revenue	2,341,358	0.4864	0.4864		2,495,625	0.4852	0.4852	12,109
City of North Kansas City	General Revenue	315,543,863	0.3386	0.3200		309,160,571	0.3483	0.3483	1,076,806
	Parks & Recreation	315,543,863	0.1200	0.1192		309,160,571	0.1200	0.1200	370,993
	Library	315,543,863	0.1949	0.1949		309,160,571	0.2000	0.2000	618,321
	Pension	315,543,863	0.2052	0.2052		309,160,571	0.2111	0.2111	652,638
Village of Oaks	General Revenue	2,655,532	0.4127	0.4127		2,738,218	0.5000	0.5000	13,691

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Clay</u>									
Village of Oaks	Fire	2,655,532	0.3000	0.3000	**	**	**		2007
	Fire	**	**	**	2,738,218	0.3000	0.3000	8,215	A 2009
Village of Oakview	General Revenue	6,427,954	0.4085	0.4085	6,371,620	0.4121	0.4121	26,257	
	Fire	6,427,954	0.1055	0.1055	6,371,620	0.1064	0.1064	6,779	
	Fire & Ambulance-Temp	6,427,954	0.2873	0.2873	**	**	**		2007
	Fire & Ambulance-Temp	**	**	**	6,371,620	0.3000	0.3000	19,115	A 2011
Village of Oakwood	General Revenue	4,417,507	0.2826	0.2800	4,433,808	0.2830	0.2800	12,415	
	Fire	4,417,507	0.3000	0.3000	**	**	**		2007
	General Revenue-Temp	4,417,507	0.2200	0.2200	**	**	**		2007
	Fire	**	**	**	4,433,808	0.3000	0.3000	13,301	A 2009
	General Revenue-Temp	**	**	**	4,433,808	0.2200	0.2200	9,754	A 2009
Village of Oakwood Park	General Revenue	2,590,478	0.2432	0.2432	2,579,350	0.2491	0.2491	6,425	
City of Pleasant Valley	General Revenue	44,020,718	0.6270	0.6208	43,611,419	0.6346	0.6346	276,758	
Village of Prathersville	General Revenue	2,481,442	0.2805	0.2805	2,493,285	0.2805	0.2805	6,994	
City of Randolph	General Revenue	5,671,273	0.4388	0.4388	5,502,987	0.4541	0.4541	24,989	
City of Smithville	General Revenue	127,476,724	0.4487	0.4487	130,894,772	0.4532	0.4487	587,325	
Kearney Fire Protection District	General Revenue	257,087,087	0.5067	0.5067	269,306,150	0.5067	0.5067	1,364,574	
	Ambulance	257,087,087	0.2616	0.2616	269,306,150	0.2616	0.2616	704,505	
	Dispatch	257,087,087	0.0282	0.0282	269,306,150	0.0282	0.0282	75,944	
Holt Community Fire Protection Dist	General Revenue	66,216,057	0.5689	0.5689	67,213,383	0.5689	0.5689	382,377	
	Ambulance	66,216,057	0.2639	0.2639	67,213,383	0.2639	0.2639	177,376	
Fishing River Fire Protection Dist	General Revenue	45,112,563	0.2729	0.2729	46,266,248	0.2729	0.2729	126,261	
Developmental Disabilities Resource	General Revenue	3,582,346,415	0.1191	0.1191	3,667,306,740	0.1193	0.1191	4,367,762	
Clay Platte Ray Mental Health Board	General Revenue	3,582,346,415	0.0974	0.0963	3,667,306,740	0.0975	0.0963	3,531,616	
Clay County Public Health Center	General Revenue	**	**	**	3,667,306,740	0.0996	0.0996	3,652,638	
The 210 Hwy Trans Development Dist	General Revenue	53,413,254	0.1000	0.0561	51,803,881	0.1000	0.0579	29,994	2016
Tower Transportation Dev Dist	General Revenue	649,630	0.1000	0.1000	A **	**	**		2046
Kearney R-I School District	Operating Funds-Schools	293,947,375	3.3420	3.3420	E 301,847,323	3.3605	3.3605	10,143,579	E
	Debt Service	293,947,375	1.7324	1.1500	E 301,783,883	2.5687	1.1500	3,470,515	E
Smithville R-II School District	Operating Funds-Schools	194,682,631	3.2247	3.2247	E 201,588,646	3.2259	3.2259	6,503,048	E
	Debt Service	194,682,631	1.5982	0.9600	E 201,588,646	1.4402	0.9600	1,935,251	E
Excelsior Springs 40 School Dist	Operating Funds-Schools	204,341,957	4.0055	3.9473	E 204,690,571	4.0615	4.0615	8,313,508	E
	Debt Service	204,341,957	0.9628	0.8200	E 204,690,571	1.1002	0.7977	1,632,817	E
Liberty 53 School District	Operating Funds-Schools	750,177,180	4.6450	4.6450	E 783,566,884	4.6456	4.6456	36,401,383	E
	Debt Service	750,177,180	1.3513	0.9950	E 783,566,884	1.8082	0.9944	7,791,789	E
Missouri City 56 School District	Operating Funds-Schools	6,283,284	4.3291	3.9687		6,289,640	4.4042	4.0829	256,800
North Kansas City 74 School Dist	Operating Funds-Schools	2,054,931,705	4.8698	4.8698	BE 2,088,537,902	4.8698	4.8698	101,707,619	E
	Debt Service	2,054,931,705	1.0200	1.0200	E 2,088,537,902	1.0200	1.0200	21,303,087	E
Clay County	General Revenue	3,582,346,415	0.2713	0.0000		3,667,306,740	0.2717	0.1600	5,867,691
	Parks & Recreation	3,582,346,415	0.0992	0.0000		3,667,306,740	0.0993	0.0000	0
	Road & Bridge	3,582,346,415	0.2713	0.2400		3,667,306,740	0.2717	0.0800	2,933,845
	Senior Services	3,582,346,415	0.0499	0.0499		3,667,306,740	0.0500	0.0499	1,829,986
<u>Clinton</u>									
Cameron Ambulance District	General Revenue	95,749,013	0.1896	0.1896		102,583,150	0.1896	0.1896	194,498
Tri-County Ambulance District	General Revenue	167,270,016	0.2626	0.2626		184,269,676	0.2579	0.2579	475,231
Cameron Spec Rd Dist Clinton Co	Road & Bridge	57,311,668	0.2415	0.2415		59,231,154	0.2416	0.2416	143,102
	Special Road and Bridge	57,311,668	0.3439	0.3439		59,231,154	0.3440	0.3440	203,755
Plattsburg Spec Rd Dist Clinton Co	Road & Bridge	37,639,698	0.2524	0.2524		36,822,406	0.2627	0.2627	96,732
	Special Road and Bridge	37,639,698	0.3500	0.3500	A 36,822,406	0.3500	0.3500	128,878	2010
City of Cameron	General Revenue	67,640,501	0.5811	0.5811		69,985,224	0.5813	0.5813	406,824

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Clinton</u>									
City of Cameron	Parks & Recreation	67,640,501	0.1428	0.1428	69,985,224	0.1428	0.1428	99,939	
	Library	67,640,501	0.1633	0.1633	69,985,224	0.1633	0.1633	114,286	
	Band Revenue	67,640,501	0.0815	0.0815	69,985,224	0.0816	0.0816	57,108	
City of Gower	General Revenue	13,571,252	0.5293	0.5293	13,620,545	0.5290	0.5290	72,053	
City of Lathrop	General Revenue	20,085,301	0.5489	0.5489	20,238,246	0.5491	0.5491	111,128	
	Parks & Recreation	20,085,301	0.1445	0.1445	20,238,246	0.1445	0.1445	29,244	
	Debt Service	20,085,301	0.2872	0.2872	20,238,246	0.3619	0.3619	73,242	
City of Plattsburg	General Revenue	26,670,575	0.5417	0.5417	25,897,700	0.5691	0.5691	147,384	
	Lights	26,670,575	0.2400	0.0825	25,897,700	0.2500	0.0825	21,366	2008
	Police	26,670,575	0.2055	0.2054	25,897,700	0.2159	0.2159	55,913	
	Cemetery-Temp	26,670,575	0.0192	0.0185	25,897,700	0.0200	0.0200	5,180	2008
	Park	26,670,575	0.1307	0.1307	25,897,700	0.1374	0.1374	35,583	
	Recreation	26,670,575	0.0464	0.0464	25,897,700	0.0487	0.0487	12,612	
City of Trimble	General Revenue	6,389,875	0.3252	0.3252	6,454,258	0.3253	0.3253	20,996	
	Debt Service	6,389,875	0.3952	0.3952	6,454,258	0.5205	0.5205	33,594	
Village of Turney	General Revenue	1,209,831	0.3396	0.3396	1,190,508	0.3451	0.3451	4,108	
Gower Fire Protection District	General Revenue	32,782,103	0.2619	0.2619	37,450,023	0.2586	0.2586	96,846	
Lathrop Fire Protection District	General Revenue	46,078,240	0.2573	0.2573	55,477,044	0.2425	0.2425	134,532	
Plattsburg Fire Protection District	General Revenue	53,040,680	0.3500	0.3500	56,607,740	0.3465	0.3465	196,146	
Cameron Fire Protection District	General Revenue	36,922,358	0.2664	0.2664	39,894,114	0.2664	0.2664	106,278	
Clinton County Health Department	General Revenue	**	**	**	262,720,515	0.0855	0.0855	224,626	
Cameron R-I School District	Operating Funds-Schools	104,513,771	3.5463	3.5451	E 108,290,907	3.5123	3.5123	3,803,502	E
	Debt Service	104,513,771	0.4962	0.4800	E 108,290,907	0.4865	0.4800	519,796	E
Lathrop R-II School District	Operating Funds-Schools	56,033,788	4.2521	3.8400	E 60,266,015	4.2414	4.2414	2,556,123	E
	Debt Service	56,033,788	1.1281	0.8500	E 60,266,015	1.0961	0.4486	270,353	E
Clinton County R-III School Dist	Operating Funds-Schools	70,843,754	3.7969	3.6600	E 70,798,211	3.8414	3.6600	2,591,215	E
	Debt Service	70,843,754	1.0525	1.0000	E 70,798,211	1.0179	1.0000	707,982	E
Clinton County	General Revenue	245,497,098	0.3362	0.2432	262,720,515	0.3327	0.2035	534,636	
	Common Road District	150,545,732	0.2676	0.2676	166,666,964	0.2574	0.2574	429,001	
	Special Road and Bridge	245,497,098	0.3500	0.3500	A 166,666,964	0.3500	0.3500	583,334	2010
	Health	245,497,098	0.0863	0.0863	**	**	**		
	Senate Bill 40	245,497,098	0.0863	0.0863	262,720,515	0.0855	0.0855	224,626	
<u>Cole</u>									
Village of Centertown	General Revenue	3,606,102	0.6771	0.6771	3,718,694	0.6771	0.6771	25,179	
City of Jefferson City	General Revenue	800,195,971	0.5442	0.4600	831,495,945	0.5442	0.5400	4,490,078	
	Firemen Retirement	800,195,971	0.0953	0.0953	831,495,945	0.0953	0.0953	792,416	
City of Lohman	General Revenue	2,074,575	0.2574	0.2574	2,104,870	0.2581	0.2581	5,433	
	Debt Service	2,074,575	0.3181	0.3181	2,104,870	0.3136	0.3136	6,601	
City of Russellville	General Revenue	7,135,158	0.7243	0.7243	7,155,856	0.7270	0.7270	52,023	
City of Taos	General Revenue	10,708,239	0.2709	0.2709	10,940,170	0.2709	0.2709	29,637	
Jeff City/Cole County Library Dist	General Revenue	1,240,391,934	0.1913	0.1913	1,283,862,799	0.1913	0.1913	2,456,030	
Cole County Fire Protection Dist	General Revenue	173,335,928	0.2892	0.2892	176,366,695	0.2896	0.2896	510,758	
Regional West Fire Protection Dist	General Revenue	156,541,913	0.2850	0.2850	160,504,952	0.2852	0.2852	457,760	
Osage Fire Protection District	General Revenue	99,736,261	0.2955	0.2955	100,843,720	0.3000	0.3000	302,531	
Russellville-Lohman Fire Prot Dist	General Revenue	43,894,020	0.2893	0.2893	44,585,418	0.2901	0.2901	129,342	
Cole Co R-I School District	Operating Funds-Schools	47,285,595	3.1591	3.1591	E 48,278,394	3.1561	3.1561	1,523,714	E
	Debt Service	47,285,825	0.8831	0.8800	E 48,278,394	0.9475	0.8800	424,850	E
Cole Co R-II School District	Operating Funds-Schools	80,962,485	2.7500	2.7500	E 85,066,021	2.7500	2.7500	2,339,316	E
	Debt Service	80,962,485	1.3690	0.9100	E 85,066,021	1.4593	0.9100	774,101	E
Cole Co. R-V School District	Operating Funds-Schools	57,508,576	3.2846	2.9500	F 58,495,789	3.2996	2.9500	1,725,626	F

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Cole</u>										
Cole Co. R-V School District	Debt Service	57,508,576	0.9505	0.7000	F	58,495,789	0.9682	0.7000	409,471	F
Jefferson City School District	Operating Funds-Schools	1,125,145,887	3.7446	3.4550	B	1,165,297,795	3.7446	3.4550	40,261,039	
	Debt Service	1,125,145,887	0.3638	0.2220		1,165,297,795	0.3234	0.2220	2,586,961	
Cole County	General Revenue	1,240,391,934	0.3347	0.3347		1,283,862,799	0.3347	0.3347	4,297,089	
	Road & Bridge	1,240,391,934	0.2779	0.2700		1,283,862,799	0.2779	0.2700	3,466,430	
	Senate Bill 40	1,240,391,934	0.0862	0.0862		1,283,862,799	0.0862	0.0862	1,106,690	
<u>Cooper</u>										
Cooper County Ambulance District	General Revenue	207,249,897	0.1197	0.1197		212,285,022	0.1197	0.1197	254,105	
Cooper County Memorial Hospital	General Revenue	207,249,897	0.1497	0.1497		212,285,022	0.1497	0.1497	317,791	
Cooper Co Nursing Home District	General Revenue	33,565,515	0.1418	0.1400		34,012,502	0.1421	0.1400	47,618	
City of Blackwater	General Revenue	1,104,891	0.9719	0.9719		1,111,720	0.9743	0.9718	10,804	
	Debt Service	1,104,891	0.0815	0.0815		1,111,720	0.1079	0.1079	1,200	
City of Boonville	General Revenue	89,822,980	0.6600	0.6200		92,153,410	0.6600	0.6200	571,351	
City of Bunceton	General Revenue	1,848,396	0.9815	0.9815		1,945,844	0.9815	0.9815	19,098	
City of Otterville	General Revenue	2,753,978	0.8138	0.8138		2,818,462	0.8138	0.8138	22,937	
City of Pilot Grove	General Revenue	4,928,459	0.6876	0.6876		4,874,631	0.6985	0.6985	34,049	
City of Prairie Home	General Revenue	1,939,468	0.9534	0.9534		1,977,781	0.9541	0.9541	18,870	
Village of Wooldridge	General Revenue	220,407	0.7000	0.7000		220,089	0.7000	0.7000	1,541	
Cooper Co Fire Protection Dist	General Revenue	52,713,318	0.4802	0.4802		54,707,409	0.4802	0.4802	262,705	
	Debt Service	52,713,318	0.3372	0.3372		54,707,409	0.3385	0.3385	185,185	
Otterville Fire Protection District	General Revenue	11,412,464	0.2959	0.2959		11,699,783	0.3000	0.3000	35,099	
Prairie Home Rural Fire Prot Dist	General Revenue	10,351,684	0.2531	0.2531		10,333,294	0.2555	0.2555	26,402	
Cooper County Public Health Center	General Revenue	**	**	**		212,285,022	0.2500	0.1900	403,342	
Blackwater R-II School District	Operating Funds-Schools	7,483,889	3.3682	3.3682	E	7,608,247	3.4517	3.4517	262,614	E
Cooper Co. R-IV School District	Operating Funds-Schools	8,092,937	4.3936	4.3936	E	8,443,807	4.4814	4.4814	378,401	E
	Debt Service	8,092,937	0.6101	0.6101	E	8,443,807	0.5752	0.5752	48,569	E
Prairie Home R-V School District	Operating Funds-Schools	11,553,231	4.5776	4.5776	E	11,721,217	4.5672	4.5672	535,331	E
	Debt Service	11,553,231	0.4119	0.3867	E	11,721,217	0.4013	0.3867	45,326	E
Otterville R-VI School District	Operating Funds-Schools	12,105,719	3.7737	3.7737	E	12,600,266	3.8265	3.8265	482,149	E
	Debt Service	12,105,719	0.7445	0.6000	E	12,600,266	0.7741	0.6300	79,382	E
Pilot Grove C-4 School District	Operating Funds-Schools	15,961,187	3.2336	3.2320	E	16,394,566	3.2317	3.2280	529,217	E
	Operating Funds-Temp	15,961,187	0.6830	0.6830	E	16,394,566	0.6830	0.6830	111,975	E 2008
	Debt Service	15,961,187	1.0901	0.9000	E	16,394,566	1.3885	0.9000	147,551	E
Boonville R-I School District	Operating Funds-Schools	129,128,373	3.3104	3.3104	E	133,358,777	3.3442	3.2877	4,384,437	E
	Debt Service	129,128,373	0.9735	0.6600	E	133,358,777	0.9426	0.6827	910,440	E
Cooper County	General Revenue	207,249,897	0.4219	0.2345		212,285,022	0.4219	0.2422	514,154	
	Road & Bridge	207,249,897	0.3114	0.3114		212,285,022	0.3114	0.3114	661,056	
	Health	207,249,897	0.2500	0.1900		**	**	**		
	Senate Bill 40	207,249,897	0.1995	0.1995		212,285,022	0.1995	0.1995	423,509	
<u>Crawford</u>										
North Crawford Co Ambulance Dist	General Revenue	168,585,269	0.2646	0.2646		169,702,554	0.2675	0.2675	453,954	
Steelville Ambulance District	General Revenue	59,670,971	0.3108	0.1940		60,714,604	0.3162	0.1917	116,390	
City of Bourbon	General Revenue	12,426,865	0.5132	0.5065		9,544,451	0.6639	0.6639	63,366	
	Parks & Recreation	12,426,865	0.0783	0.0773		9,544,451	0.1000	0.1000	9,544	
	Police	12,426,865	0.2435	0.2403		9,544,451	0.3150	0.3150	30,065	
Village of Leasburg	General Revenue	1,374,565	0.4820	0.4820		1,427,083	0.4843	0.4843	6,911	
City of Steelville	General Revenue	13,367,029	0.3370	0.3370		12,909,259	0.3508	0.3508	45,286	
Crawford County Library District	General Revenue	241,721,721	0.0909	0.0909		244,603,312	0.0915	0.0915	223,812	
Bourbon Fire District	General Revenue	43,255,119	0.2726	0.2726		43,573,363	0.2700	0.2700	117,648	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Crawford</u>										
Steelville Fire Protection Dist	General Revenue	67,514,751	0.1923	0.1923		68,605,843	0.1962	0.1962	134,605	
Crawford Co R-I School District	Operating Funds-Schools	56,645,040	3.0131	3.0131	E	57,340,836	3.0259	3.0249	1,734,503	E
	Debt Service	56,645,040	1.3716	0.9350	E	57,340,836	1.2288	0.9350	536,137	E
Crawford Co R-II School District	Operating Funds-Schools	102,206,134	2.8860	2.7500	F	102,267,983	2.9314	2.7500	2,812,370	F
	Debt Service	102,206,134	0.7351	0.5600	F	102,267,983	1.0312	0.5600	572,701	F
Steelville R-III School District	Operating Funds-Schools	50,728,128	3.0569	3.0569	E	51,076,458	3.0977	3.0977	1,582,195	E
	Debt Service	50,728,128	1.6161	0.6700	E	51,076,458	1.5183	0.6700	342,212	E
Crawford County	General Revenue	256,535,091	0.2812	0.0912		259,527,981	0.2829	0.1054	273,542	
	Road & Bridge	256,535,091	0.1995	0.1995		259,527,981	0.2007	0.2007	520,873	
	Senate Bill 40	256,535,091	0.0906	0.0906		259,527,981	0.0911	0.0911	236,430	
	Senior Services	256,535,091	0.0453	0.0453		259,527,981	0.0456	0.0456	118,345	
<u>Dade</u>										
Dade County Ambulance District	General Revenue	95,914,352	0.0815	0.0000		**	**	**		
Dade County Nursing Home	General Revenue	70,768,723	0.1175	0.1175		71,127,485	0.1182	0.1182	84,073	
Good Shepherd Nursing Home Dist	General Revenue	25,127,115	0.1504	0.1504		25,262,819	0.1511	0.1511	38,172	
	Debt Service	25,127,115	0.5656	0.4100		25,262,819	0.5273	0.4273	107,948	
Bona Special Road Dist Dade Co	Road & Bridge	691,610	0.3966	0.3966		688,206	0.4025	0.4025	2,770	
Dry Bone Special Road Dist Dade Co	Road & Bridge	379,550	0.3506	0.3506		378,995	0.3512	0.3512	1,331	
Maize Creek Spec Road Dist Dade Co	Road & Bridge	397,435	0.4271	0.4271		370,545	0.4580	0.4580	1,697	
Sac Special Road Dist #1 Dade Co	Road & Bridge	905,275	0.2939	0.2939		929,223	0.2977	0.2977	2,766	
Sac Special Road Dist #2 Dade Co	Road & Bridge	1,103,165	0.2344	0.2344		1,108,932	0.2344	0.2344	2,599	
Southeast Special Road Dist Dade Co	Road & Bridge	394,430	0.3530	0.3530		388,105	0.3587	0.3587	1,392	
	Road & Bridge	931,695	0.2610	0.2610		974,818	0.2610	0.2610	2,544	
	Special Road and Bridge	931,695	0.2031	0.2031		**	**	**		2007
Village of Dadeville	General Revenue	1,507,864	0.4229	0.4229		1,462,503	0.4376	0.4376	6,400	
City of Everton	General Revenue	1,691,736	0.8604	0.8604		1,715,794	0.8658	0.8658	14,855	
	Parks & Recreation	1,691,736	0.0734	0.0734		1,715,794	0.0739	0.0739	1,268	
City of Greenfield	General Revenue	12,334,730	0.4018	0.4018		12,217,848	0.4084	0.4084	49,898	
	Parks & Recreation	12,334,730	0.1282	0.1282		12,217,848	0.1303	0.0000	0	
	Streets	12,334,730	0.1624	0.1624		12,217,848	0.1651	0.1651	20,172	
Village of South Greenfield	General Revenue	700,962	0.4806	0.4806		684,385	0.4926	0.4926	3,371	
City of Lockwood	General Revenue	7,572,451	0.5373	0.5373		7,557,582	0.5418	0.5418	40,947	
	Parks & Recreation	7,572,451	0.1432	0.1432		7,557,582	0.1444	0.1444	10,913	
	Library	7,572,451	0.1702	0.1702		7,557,582	0.1716	0.1716	12,969	
Dade County Library District	General Revenue	88,393,111	0.0911	0.0911		88,902,162	0.0915	0.0915	81,345	
Cedar Township of Dade Co	Road & Bridge	4,465,904	0.3723	0.3723		4,396,291	0.3800	0.3800	16,706	
	Special Road and Bridge	4,465,904	0.1300	0.1300	A	4,396,291	0.1300	0.1300	5,715	2010
Center Township of Dade Co	Road & Bridge	21,259,976	0.3207	0.3207		20,779,116	0.3297	0.3297	68,509	
Ernest Township of Dade Co	Road & Bridge	1,896,966	0.4257	0.4257		1,886,649	0.4346	0.4346	8,199	
Grant Township of Dade Co	Road & Bridge	4,311,086	0.3447	0.3447		4,212,539	0.3535	0.3535	14,891	
Lockwood Township of Dade Co	Road & Bridge	14,415,348	0.2939	0.2939		14,442,273	0.2962	0.2962	42,778	
Marion Township of Dade Co	Road & Bridge	4,208,902	0.3638	0.3638		4,341,340	0.3638	0.3638	15,794	
North Morgan Township of Dade Co	Road & Bridge	1,630,303	0.2239	0.2239		1,676,934	0.2239	0.2239	3,755	
North Township of Dade Co	Road & Bridge	4,216,146	0.3731	0.3731		4,235,003	0.3773	0.3773	15,979	
Pilgrim Township of Dade Co	Road & Bridge	2,068,953	0.3467	0.3467		2,163,784	0.3467	0.3467	7,502	
	Special Road and Bridge	2,068,953	0.2300	0.2300	A	2,163,784	0.2300	0.2300	4,977	2010
Polk Township of Dade Co	Road & Bridge	6,185,695	0.3146	0.3146		6,591,645	0.3146	0.3146	20,737	
	Special Road and Bridge	**	**	**		6,591,645	0.3300	0.3300	21,752	A 2011
Rock Prairie Township of Dade Co	Road & Bridge	10,971,418	0.3262	0.3262		11,179,751	0.3299	0.3299	36,882	
	Special Road and Bridge	10,971,418	0.2300	0.2300	A	11,179,751	0.2300	0.2300	25,713	2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Dade</u>										
Sac Township of Dade Co	Road & Bridge	3,461,920	0.2776	0.2776		3,525,121	0.2777	0.2777	9,789	
Smith Township of Dade Co	Road & Bridge	2,216,002	0.4256	0.4256		2,290,242	0.4256	0.4256	9,747	
	Special Road and Bridge	2,216,002	0.2375	0.2375		2,290,242	0.2375	0.2375	5,439	2008
South Township of Dade Co	Road & Bridge	3,162,111	0.3652	0.3652		3,185,711	0.3745	0.3745	11,930	
	Special Road and Bridge	3,162,111	0.3246	0.3246		3,185,711	0.3328	0.3328	10,602	2008
South Morgan Township of Dade Co	Road & Bridge	3,241,230	0.3582	0.3582		3,206,424	0.3676	0.3676	11,787	
Washington Township of Dade Co	Road & Bridge	3,406,246	0.3080	0.3080		3,463,033	0.3080	0.3080	10,666	
Dadeville Rural Fire Prot Dist	General Revenue	9,696,130	0.1776	0.1776		9,701,467	0.1788	0.1788	17,346	
Dade Co R-4 Rural Fire Prot Dist	General Revenue	38,192,108	0.1824	0.1824		38,318,121	0.1833	0.1833	70,237	
Dade County Health Department	General Revenue	**	**	**		96,414,556	0.0907	0.0907	87,448	
Lockwood R-I School District	Operating Funds-Schools	26,663,531	2.9461	2.9461	E	26,817,436	2.9507	2.9507	791,302	E
	Debt Service	26,663,531	0.7872	0.5500	E	26,817,436	0.6633	0.5500	147,496	E
Dadeville R-II School District	Operating Funds-Schools	9,315,207	4.0030	3.3548		9,353,385	4.0347	3.4300	320,821	E
Everton R-III School District	Operating Funds-Schools	9,302,863	3.0462	3.0400	E	9,802,218	3.1283	3.1283	306,643	E
	Debt Service	9,302,863	0.7525	0.7000	E	**	**	**		
Greenfield R-IV School District	Operating Funds-Schools	34,545,864	2.8436	2.8436	E	34,487,859	2.8797	2.8436	980,697	E
	Debt Service	34,545,864	0.9162	0.6564	E	34,487,859	0.6984	0.6564	226,378	E
Dade County	General Revenue	95,914,352	0.2445	0.1000		96,414,556	0.2456	0.1200	115,697	
	Health	95,914,352	0.0903	0.0903		**	**	**		
	Township Tax	95,914,352	0.0903	0.0903		96,414,556	0.0907	0.0907	87,448	
<u>Dallas</u>										
City of Buffalo	General Revenue	29,950,184	0.5069	0.5069		29,795,701	0.5127	0.5100	151,958	
City of Urbana	General Revenue	2,832,392	0.5462	0.5462		2,852,896	0.5471	0.5471	15,608	
Dallas County Library	General Revenue	148,643,929	0.0955	0.0955		149,842,992	0.0961	0.0961	143,999	
Southern Dallas Co Fire Prot Dist	General Revenue	19,192,082	0.2975	0.2900		20,473,720	0.2958	0.2900	59,374	
Elkland Fire Protection District	General Revenue	**	**	**		12,879,785	0.3000	0.3000	38,639	A
Dallas County Health Department	General Revenue	**	**	**		149,842,992	0.0967	0.0967	144,898	
Dallas Co R-I School District	Operating Funds-Schools	106,797,054	3.2118	3.2118	E	108,652,888	3.2208	3.2208	3,499,492	E
Dallas County	General Revenue	148,643,929	0.3412	0.1160		149,842,992	0.3435	0.1381	206,933	
	Road & Bridge	148,643,929	0.2534	0.2534		149,842,992	0.2551	0.2551	382,249	
	Health	148,643,929	0.0960	0.0960		**	**	**		
<u>Daviess</u>										
Community Ambulance District	General Revenue	86,879,699	0.3121	0.3121		89,084,564	0.3121	0.3121	278,033	
West Fork of Big Creek Watershed	Main & Op	988,200	0.1787	0.1462		984,710	0.1793	0.1500	1,477	
Jamesport Spec Rd Dist Daviess Co	Road & Bridge	7,942,322	0.3670	0.3670		8,104,203	0.3695	0.3695	29,945	
	Special Road and Bridge	7,942,322	0.2700	0.2700		8,104,203	0.2700	0.2700	21,881	2008
Lock Springs Special Road District	Road & Bridge	2,527,044	0.3546	0.3546		2,625,360	0.3546	0.3546	9,310	
	Special Road and Bridge	2,527,044	0.3500	0.3500		2,625,360	0.3500	0.3500	9,189	2008
Daviess County Special Rd Dist #1	Road & Bridge	17,703,708	0.2107	0.2107		18,558,580	0.2107	0.2107	39,103	
	Special Road and Bridge	17,703,708	0.2360	0.2360		**	**	**		2007
	Special Road and Bridge	**	**	**		18,558,580	0.3500	0.3500	64,955	A 2011
	Debt Service	17,703,708	0.1573	0.1573		18,558,580	0.0000	0.0000	0	
Village of Altamont	General Revenue	774,576	0.6500	0.6445		811,178	0.6500	0.6500	5,273	
City of Coffey	General Revenue	453,492	1.0000	1.0000		460,260	1.0000	1.0000	4,603	
City of Gallatin	General Revenue	12,310,329	0.6046	0.6046		12,816,774	0.6046	0.6046	77,490	
	Parks & Recreation	12,310,329	0.2151	0.2151		12,816,774	0.2151	0.2151	27,569	
	Band	12,310,329	0.0199	0.0199		12,816,774	0.0199	0.0199	2,551	
City of Jamesport	General Revenue	3,057,233	0.6949	0.6949		3,106,983	0.6949	0.6949	21,590	
	Parks & Recreation	3,057,233	0.1646	0.1646		3,106,983	0.1646	0.1646	5,114	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Daviess</u>									
Village of Jameson	General Revenue	416,721	0.5000	0.5000	411,295	0.5000	0.5000	2,056	2008
	General Revenue-Temp	416,721	0.2000	0.2000	411,295	0.2000	0.2000	823	
Village of Lock Springs	General Revenue	216,747	0.5000	0.4100	245,341	0.5000	0.4100	1,006	
City of Pattonsburg	General Revenue	1,699,555	1.0000	1.0000	1,756,257	1.0000	1.0000	17,563	
Village of Winston	General Revenue	1,087,022	0.4554	0.4554	1,107,308	0.4571	0.4571	5,062	
	Streets	1,087,022	0.3000	0.3000	**	**	**		2007
	Streets	**	**	**	1,107,308	0.3000	0.3000	3,322	A 2010
Daviess County Library	General Revenue	100,473,110	0.1825	0.1825	102,680,128	0.1826	0.1826	187,494	
Benton Township of Daviess Co	General Revenue	5,327,668	0.0960	0.0960	5,198,166	0.1000	0.1000	5,198	
	Road & Bridge	5,327,668	0.4801	0.4801	5,198,166	0.5000	0.5000	25,991	
Colfax Township of Daviess Co	General Revenue	5,804,917	0.0929	0.0929	5,658,236	0.0959	0.0959	5,426	
	Road & Bridge	5,804,917	0.4645	0.4645	5,658,236	0.4797	0.4797	27,143	
	Special Road and Bridge	5,804,917	0.0025	0.2500	AG	5,658,236	0.0025	0.2500	14,146
Grand River Township of Daviess Co	General Revenue	4,214,109	0.0989	0.0989	4,394,825	0.0989	0.0989	4,346	
	Road & Bridge	4,214,109	0.4945	0.4945	4,394,825	0.4945	0.4945	21,732	
	Special Road and Bridge	4,214,109	0.0035	0.3500	AG	4,394,825	0.0035	0.3500	15,382	G 2010
Harrison Township of Daviess Co	General Revenue	2,107,215	0.0949	0.0949	2,176,529	0.0949	0.0949	2,066	
	Road & Bridge	2,107,215	0.4681	0.4681	2,176,529	0.4681	0.4681	10,188	
	Special Road and Bridge	2,107,215	0.3500	0.3500	2,176,529	0.3500	0.3500	7,618	2008
Jackson Township of Daviess Co	General Revenue	7,020,382	0.0965	0.0965	7,121,521	0.0965	0.0965	6,872	
	Road & Bridge	4,493,338	0.4615	0.4615	4,512,589	0.4633	0.4633	20,907	
	Special Road and Bridge	4,493,338	0.0035	0.3500	AG	4,512,589	0.0035	0.3500	15,794	G 2010
Jamesport Township of Daviess Co	General Revenue	7,942,322	0.0887	0.0887	8,123,733	0.0891	0.0891	7,238	
Jefferson Township of Daviess Co	General Revenue	5,046,323	0.0974	0.0974	5,133,459	0.0977	0.0977	5,015	
	Road & Bridge	5,046,323	0.4409	0.4409	5,133,459	0.4422	0.4422	22,700	
	Special Road and Bridge	5,046,323	0.0035	0.3500	AG	5,133,459	0.0035	0.3500	17,967	G 2010
Liberty Township of Daviess Co	General Revenue	21,640,321	0.0642	0.0642	22,596,464	0.0642	0.0642	14,507	
	Road & Bridge	3,936,613	0.4869	0.4869	4,037,884	0.4869	0.4869	19,660	
Lincoln Township of Daviess Co	General Revenue	3,833,875	0.1000	0.0999	4,178,895	0.1000	0.1000	4,179	
	Road & Bridge	3,833,875	0.4996	0.4996	4,178,895	0.5000	0.5000	20,894	
	Special Road and Bridge	3,833,875	0.0020	0.2000	AG	4,178,895	0.0020	0.2000	8,358	G 2010
Marion Township of Daviess Co	General Revenue	4,313,007	0.0975	0.0975	4,385,418	0.0994	0.0994	4,359	
	Road & Bridge	4,313,007	0.4874	0.4874	4,385,418	0.4967	0.4967	21,782	
	Special Road and Bridge	4,313,007	0.0035	0.3500	AG	4,385,418	0.0035	0.3500	15,349	G 2010
Monroe Township of Daviess Co	General Revenue	2,923,260	0.0978	0.0978	3,025,508	0.0997	0.0997	3,016	
	Road & Bridge	2,923,260	0.4645	0.4645	3,025,508	0.4737	0.4737	14,332	
	Special Road and Bridge	2,923,260	0.0035	0.3500	AG	3,025,508	0.0035	0.3500	10,589	G 2010
Salem Township of Daviess Co	General Revenue	5,331,127	0.0983	0.0983	5,461,223	0.0986	0.0986	5,385	
	Road & Bridge	5,331,127	0.4633	0.4633	5,461,223	0.4649	0.4649	25,389	
	Special Road and Bridge	5,331,127	0.3500	0.3500	5,461,223	0.3500	0.3500	19,114	2008
Sheridan Township of Daviess Co	General Revenue	4,193,127	0.0921	0.0921	4,339,245	0.0925	0.0925	4,014	
	Road & Bridge	4,193,127	0.4279	0.4279	4,339,245	0.4300	0.4300	18,659	
	Special Road and Bridge	4,193,127	0.3500	0.3500	4,339,245	0.3500	0.3500	15,187	2008
Union Township of Daviess Co	General Revenue	17,840,841	0.0905	0.0500	17,950,731	0.0917	0.0500	8,975	
	Road & Bridge	17,840,841	0.3821	0.3000	17,950,731	0.3870	0.3800	68,213	
Washington Township of Daviess Co	General Revenue	2,934,616	0.1000	0.1000	2,936,175	0.1000	0.1000	2,936	
	Road & Bridge	2,934,616	0.5000	0.5000	2,936,175	0.5000	0.5000	14,681	
	Special Road and Bridge	2,934,616	0.3500	0.3500	2,936,175	0.3500	0.3500	10,277	2008
KAW Fire Protection District	General Revenue	24,437,436	0.4854	0.4854	24,530,331	0.4927	0.4927	120,861	
Jameson Fire Protection District	General Revenue	5,238,198	0.3000	0.2934	5,296,929	0.3000	0.3000	15,891	
Coffey Fire Protection District	General Revenue	4,225,200	0.3000	0.3000	4,216,739	0.3000	0.3000	12,650	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Daviess</u>										
Pattonsburg Rescue & Fire Prot Dist	General Revenue	11,866,809	0.2928	0.2928		11,842,471	0.2970	0.2970	35,172	
Gallatin Fire Protection District	General Revenue	23,876,978	0.2895	0.2895		24,300,332	0.2915	0.2915	70,835	
Daviess County Health Department	General Revenue	**	**	**		102,680,128	0.2394	0.2394	245,816	
Pattonsburg R-II School District	Operating Funds-Schools	11,758,071	4.5607	4.5607	E	11,990,424	4.5830	4.5830	549,521	E
	Debt Service	11,758,071	1.6588	0.6149	E	11,990,424	1.3943	0.5926	71,055	E
Winston R-VI School District	Operating Funds-Schools	19,125,775	3.0590	3.0590	E	19,746,469	3.0734	3.0734	606,888	E
	Debt Service	19,125,775	0.1385	0.1385	E	19,746,469	0.0869	0.0869	17,160	E
North Daviess R-III School District	Operating Funds-Schools	8,838,954	5.4500	5.4500	E	9,014,451	5.4448	5.4448	490,819	E
Gallatin R-V School District	Operating Funds-Schools	34,367,372	3.7258	3.7258	E	35,111,007	3.7271	3.7271	1,308,622	E
Tri-County R-VII School District	Operating Funds-Schools	14,115,252	4.0019	4.0019	E	14,566,686	4.0193	4.0193	585,479	E
Daviess County	General Revenue	100,473,110	0.3552	0.1700		102,680,128	0.3554	0.1200	123,216	
	Health	100,473,110	0.2393	0.2393		**	**	**		
	Senate Bill 40	100,473,110	0.0921	0.0800		102,680,128	0.0921	0.0800	82,144	
	Senior Services	100,473,110	0.0005	0.0500	AG	102,680,128	0.0005	0.0500	51,340	G
<u>De Kalb</u>										
DeKalb-Clinton Ambulance Dist No 1	General Revenue	66,813,552	0.2423	0.2423		68,796,395	0.2423	0.2423	166,694	
Grindstone-Lost-Muddy-Creek Sub Dis	General Revenue	27,545,190	0.1302	0.1302		28,904,885	0.1302	0.1302	37,634	
Village of Amity	General Revenue	326,336	0.4510	0.4510		352,603	0.4582	0.4582	1,616	
City of Clarksdale	General Revenue	1,501,947	0.6712	0.6712		1,494,516	0.6773	0.6773	10,122	
	Lights	1,501,947	0.2098	0.2098		1,494,516	0.2117	0.2117	3,164	
	Streets	1,501,947	0.2307	0.2307		1,494,516	0.2328	0.2328	3,479	
	Debt Service	1,501,947	1.1991	1.1991		1,494,516	1.6000	1.6000	23,912	
City of Maysville	General Revenue	8,083,419	0.7762	0.7762		8,527,810	0.7762	0.7762	66,193	
City of Stewartsville	General Revenue	5,610,980	0.5164	0.5164		5,626,580	0.5171	0.5171	29,095	
	Lights	5,610,980	0.1243	0.1243		5,626,580	0.1244	0.1244	6,999	
City of Union Star	General Revenue	2,082,245	0.4203	0.4203		2,137,800	0.4206	0.4206	8,992	
	Lights	2,082,245	0.3556	0.3556		2,137,800	0.3558	0.0558	1,193	
	Streets	2,082,245	0.3234	0.3234		2,137,800	0.3236	0.3236	6,918	
Village of Weatherby	General Revenue	418,480	0.4872	0.4872		484,749	0.4552	0.4552	2,207	
	General Revenue-Temp	418,480	0.3000	0.3000	A	484,749	0.2801	0.2801	1,358	2010
City of Osborn	General Revenue	3,450,360	0.7170	0.7170		3,554,411	0.7191	0.7191	25,560	
Adams Township of DeKalb Co	General Revenue	7,199,835	0.0993	0.0993		7,406,287	0.1000	0.1000	7,406	
	Road & Bridge	7,199,835	0.3721	0.3721		7,406,287	0.3753	0.3753	27,796	
	Special Road and Bridge	7,199,835	0.1400	0.1400	A	7,406,287	0.1400	0.1400	10,369	2010
Camden Township of DeKalb Co	General Revenue	16,500,525	0.0967	0.0967		17,178,366	0.0967	0.0967	16,611	
	Road & Bridge	16,500,525	0.3432	0.3432		17,178,366	0.3432	0.3432	58,956	
Colfax Township of DeKalb Co	General Revenue	8,337,116	0.0997	0.0997		8,578,318	0.1000	0.1000	8,578	
	Road & Bridge	8,337,116	0.4152	0.4152		8,578,318	0.4174	0.4174	35,806	
	Special Road and Bridge	**	**	**		8,578,318	0.3500	0.3500	30,024	A 2011
Dallas Township of DeKalb Co	General Revenue	4,004,865	0.0995	0.0995		4,123,501	0.0995	0.0995	4,103	
	Road & Bridge	4,004,865	0.4134	0.4134		4,123,501	0.4134	0.4134	17,047	
	Special Road and Bridge	4,004,865	0.3499	0.3499		4,123,501	0.3499	0.3499	14,428	2009
Grand River Township of DeKalb Co	General Revenue	36,185,246	0.0984	0.0984		38,928,798	0.0984	0.0984	38,306	
	Road & Bridge	36,185,246	0.3560	0.3560		38,928,798	0.3560	0.3560	138,587	
Grant Township of DeKalb Co	General Revenue	4,462,971	0.0973	0.0973		4,668,762	0.0985	0.0985	4,599	
	Road & Bridge	4,462,971	0.4866	0.4866		4,668,762	0.4924	0.4924	22,989	
	Special Road and Bridge	4,462,971	0.3406	0.3406		**	**	**		2007
	Special Road and Bridge	**	**	**		4,668,762	0.3500	0.3500	16,341	A 2011
Polk Township of DeKalb Co	General Revenue	8,078,822	0.1000	0.1000		8,285,328	0.1000	0.1000	8,285	
	Road & Bridge	8,078,822	0.3984	0.3984		8,285,328	0.3984	0.3984	33,009	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>De Kalb</u>									
Sherman Township of DeKalb Co	General Revenue	6,778,218	0.1000	0.1000	6,869,218	0.1000	0.1000	6,869	2007 A 2011
	Road & Bridge	6,778,218	0.3920	0.3920	6,869,218	0.3920	0.3920	26,927	
	Special Road and Bridge	6,778,218	0.3500	0.3500	**	**	**		
	Special Road and Bridge	**	**	**	6,869,218	0.3500	0.3500	24,042	
Washington Township of DeKalb Co	General Revenue	17,337,659	0.0910	0.0910	17,823,254	0.0910	0.0910	16,219	
	Road & Bridge	17,337,659	0.3437	0.3437	17,823,254	0.3437	0.3437	61,259	
Osborn Fire Protection District	General Revenue	10,400,388	0.2425	0.2425	10,587,668	0.2455	0.2455	25,993	
Stewartsville Fire Protection Dist	General Revenue	17,251,264	0.2775	0.2775	17,607,390	0.2776	0.2776	48,878	
Central DeKalb Co Fire Prot Dist	General Revenue	30,733,769	0.2466	0.2466	31,859,883	0.2466	0.2466	78,566	
Clarksdale Fire Protection District	General Revenue	9,048,646	0.4301	0.4301	9,662,324	0.4301	0.4301	41,558	
Union Star Fire Protection District	General Revenue	10,094,928	0.2776	0.2776	10,268,067	0.2778	0.2778	28,525	
Osborn R-O School District	Operating Funds-Schools	8,531,228	4.7111	4.7088	E 8,826,433	4.7027	4.7027	415,081	E
	Debt Service	8,531,228	0.4799	0.4600	E 8,826,433	0.5197	0.4600	40,602	E
Maysville R-I School District	Operating Funds-Schools	39,370,588	3.4310	3.4310	E 41,230,268	3.4356	3.4356	1,416,507	E
Union Star R-II School District	Operating Funds-Schools	9,547,294	4.8887	4.8887	E 9,741,177	4.9097	4.9097	478,263	E
Stewartsville C-2 School District	Operating Funds-Schools	12,983,722	4.0482	3.4300	E 13,282,335	4.0258	4.0258	534,720	E
	Debt Service	12,983,722	0.4148	0.4147	E 13,282,335	0.4887	0.4887	64,911	E
DeKalb County	General Revenue	108,785,133	0.2984	0.0000	112,851,594	0.2984	0.0000	0	
	Senate Bill 40	108,785,133	0.0889	0.0889	112,851,594	0.0889	0.0889	100,325	
	Senior Services	108,785,133	0.0296	0.0296	112,851,594	0.0296	0.0296	33,404	
<u>Dent</u>									
Salem Memorial Hospital District	General Revenue	225,155,270	0.2202	0.2000	227,792,975	0.2207	0.1950	444,196	
City of Salem	General Revenue	45,486,167	0.6240	0.6200	46,053,035	0.6240	0.6240	287,371	
	Library	45,486,167	0.2742	0.2742	46,053,035	0.2742	0.2742	126,277	
Dent County Fire Protection Dist	General Revenue	90,371,767	0.2210	0.2210	91,869,873	0.2210	0.2210	203,032	
Dent County Health Center	General Revenue	**	**	**	150,537,365	0.0906	0.0906	136,387	
Salem R-80 School District	Operating Funds-Schools	63,545,116	2.7500	2.7500	E 64,076,153	2.7500	2.7500	1,762,094	E
	Debt Service	63,545,116	0.6898	0.6800	E 64,076,153	0.6807	0.6800	435,718	E
Oak Hill R-I School District	Operating Funds-Schools	12,491,695	2.9522	2.9522	E 12,853,928	2.9450	2.9450	378,548	E
Green Forest R-II School District	Operating Funds-Schools	17,071,670	2.5309	2.5309	E 17,137,760	2.5293	2.5293	433,465	E
	Operating Funds-Temp	17,071,670	0.2191	0.2191	E 17,137,760	0.2207	0.2207	37,823	E 2011
Dent-Phelps R-III School District	Operating Funds-Schools	26,922,250	2.7500	2.7500	E 27,745,150	2.7500	2.7500	762,992	E
North Wood R-IV School District	Operating Funds-Schools	16,855,346	2.7500	2.7500	E 17,467,900	2.7500	2.7500	480,367	E
Dent County	General Revenue	148,281,298	0.3504	0.0350	150,537,365	0.3504	0.0350	52,688	
	Road & Bridge	148,281,298	0.2583	0.2550	150,537,365	0.2583	0.2550	383,870	
	Health	148,281,298	0.0906	0.0906	**	**	**		
	Senate Bill 40	148,281,298	0.1659	0.1500	150,537,365	0.1659	0.1500	225,806	
	Senior Services	148,281,298	0.0453	0.0453	150,537,365	0.0453	0.0453	68,193	
<u>Douglas</u>									
Ava Ambulance District	General Revenue	92,829,259	0.1104	0.0000	96,890,253	0.1106	0.0000	0	
Douglas County Library	General Revenue	122,447,279	0.0803	0.0803	127,585,951	0.0805	0.0805	102,707	
Douglas County Health Department	General Revenue	**	**	**	127,585,951	0.2312	0.2000	255,172	
Skyline R-II School District	Operating Funds-Schools	8,016,630	2.7500	2.7500	F 8,300,143	2.7500	2.7500	228,254	F
Plainview R-VIII School District	Operating Funds-Schools	5,132,499	2.8127	2.8127	E 5,470,457	2.8251	2.8251	154,546	E
Ava R-I School District	Operating Funds-Schools	84,334,633	2.7500	2.7500	E 88,327,925	2.7500	2.7500	2,429,018	E
Douglas County	General Revenue	122,347,279	0.2913	0.1000	127,585,951	0.2917	0.1200	153,103	
	Road & Bridge	122,347,279	0.2109	0.2109	127,585,951	0.2112	0.2112	269,462	
	Health	122,347,279	0.2309	0.2000	**	**	**		
	Senate Bill 40	122,347,279	0.0804	0.0804	127,585,951	0.0805	0.0805	102,707	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Dunklin</u>										
City of Arbyrd	General Revenue	4,185,216	0.7477	0.7477	3,254,190	1.0000	1.0000	32,542		
City of Campbell	General Revenue	8,937,708	0.6224	0.0000	9,046,277	0.6239	0.0000	0		
City of Cardwell	General Revenue	3,041,800	0.4956	0.4956	2,998,830	0.5028	0.5028	15,078		
	Streets	3,041,800	0.1509	0.1509	2,998,830	0.1531	0.1531	4,591		
City of Clarkton	General Revenue	4,939,240	0.6247	0.6247	5,104,834	0.6267	0.6267	31,992		
City of Holcomb	General Revenue	3,309,893	0.6634	0.6634	3,401,861	0.6660	0.6634	22,568		
City of Hornersville	General Revenue	3,692,653	0.7067	0.7067	3,725,228	0.7095	0.7095	26,430		
City of Kennett	General Revenue	89,500,236	0.5418	0.5418	89,399,976	0.5444	0.5444	486,693		
	Parks & Recreation	89,500,236	0.1485	0.1485	89,399,976	0.1492	0.1492	133,385		
	Special Park	89,500,236	0.0990	0.0990	89,399,976	0.0995	0.0995	88,953		
City of Malden	General Revenue	28,823,819	0.6844	0.6844	27,127,827	0.7290	0.7290	197,762		
City of Senath	General Revenue	9,438,973	0.6403	0.5700	9,650,626	0.6424	0.5700	55,009		
	Health	9,438,973	0.1653	0.1000	9,650,626	0.1658	0.1000	9,651		
Buffalo Township of Dunklin Co	General Revenue	10,485,633	0.1000	0.1000	10,303,291	0.1000	0.1000	10,303		
	Road & Bridge	10,485,633	0.2710	0.2710	10,303,291	0.2763	0.2763	28,468		
Clay Township of Dunklin Co	General Revenue	17,302,520	0.1000	0.1000	17,542,875	0.1000	0.1000	17,543		
	Road & Bridge	17,302,520	0.3063	0.3063	17,542,875	0.3088	0.3088	54,172		
Cotton Hill Township of Dunklin Co	General Revenue	44,631,272	0.0998	0.0998	43,494,541	0.1000	0.1000	43,495		
	Road & Bridge	44,631,272	0.2890	0.2890	43,494,541	0.2988	0.2988	129,962		
Freeborn Township of Dunklin Co	General Revenue	11,087,381	0.1000	0.1000	11,265,685	0.1000	0.1000	11,266		
	Road & Bridge	11,087,381	0.2557	0.2557	11,265,685	0.2570	0.2570	28,953		
Holcomb Township of Dunklin Co	General Revenue	12,337,491	0.0952	0.0952	12,546,325	0.0952	0.0952	11,944		
	Road & Bridge	12,337,491	0.2326	0.2326	12,546,325	0.2326	0.2326	29,183		
Independence Township of Dunklin Co	General Revenue	115,027,223	0.0995	0.0995	114,479,191	0.1000	0.1000	114,479		
	Road & Bridge	115,027,223	0.2446	0.2446	114,479,191	0.2473	0.2473	283,107		
Salem Township of Dunklin Co	General Revenue	26,724,654	0.1000	0.1000	28,648,275	0.1000	0.1000	28,648		
	Road & Bridge	26,724,654	0.2821	0.2821	28,648,275	0.2841	0.2821	80,817		
Union Township of Dunklin Co	General Revenue	59,036,061	0.0984	0.0984	59,352,929	0.0985	0.0985	58,463		
	Road & Bridge	59,036,061	0.3390	0.3390	59,352,929	0.3394	0.3394	201,444		
Dunklin County Health Department	General Revenue	**	**	**	297,637,435	0.1000	0.1000	297,637		
Malden R-I School District	Operating Funds-Schools	44,388,070	3.7382	3.4300	E	43,440,360	3.7500	3.4300	1,490,004	E
	Debt Service	44,388,070	0.0000	0.0000	E	43,440,360	0.3821	0.0000	0	E
Campbell R-II School District	Operating Funds-Schools	51,227,710	3.2543	2.9100	E	51,562,900	3.2722	3.2722	1,687,241	E
	Debt Service	51,227,710	1.2038	0.6200	E	51,562,900	1.2728	0.6200	319,690	E
Holcomb R-III School District	Operating Funds-Schools	20,676,700	2.9023	2.9010	E	20,553,730	2.9922	2.9922	615,009	E
	Debt Service	20,676,700	0.6418	0.4900	E	20,553,730	0.5521	0.4900	100,713	E
Clarkton C-4 School District	Operating Funds-Schools	11,079,630	3.0237	3.0237	E	11,387,100	3.7537	3.4300	390,578	BE
Senath-Hornersville C-8 School Dist	Operating Funds-Schools	41,356,351	3.5334	3.4300	E	41,847,300	3.5521	3.4300	1,435,362	E
Southland C-9 School District	Operating Funds-Schools	14,829,600	3.1379	3.1379	E	14,828,230	3.1595	3.1595	468,498	E
Kennett 39 School District	Operating Funds-Schools	90,963,149	3.5024	3.5024	E	90,693,543	3.5547	3.5000	3,174,274	E
	Debt Service	90,963,149	0.6543	0.5500	E	90,693,543	1.3261	0.5500	498,814	E
Dunklin County	General Revenue	296,632,235	0.2738	0.0000		297,637,435	0.2745	0.0000	0	
	Library	296,632,235	0.2500	0.2500		297,637,435	0.2500	0.2500	744,094	
	Johnson Grass	296,632,235	0.0500	0.0000		297,637,435	0.0500	0.0000	0	
	Health	296,632,235	0.1000	0.1000		**	**	**		
	Ambulance	296,632,235	0.1318	0.1318		297,637,435	0.1321	0.1321	393,179	
	Senate Bill 40	296,632,235	0.1000	0.1000		297,637,435	0.1000	0.1000	297,637	
<u>Franklin</u>										
Gerald Ambulance District	General Revenue	109,118,054	0.2773	0.2738		109,129,388	0.2818	0.2818	307,527	
Meramec Ambulance District	General Revenue	493,873,836	0.2623	0.2623		498,190,574	0.2623	0.2022	1,007,341	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Franklin</u>										
Meramec Ambulance District	Dispatch	493,873,836	0.0272	0.0272	499,950,615	0.0272	0.0272	135,987		
St. Clair Ambulance District	General Revenue	205,291,822	0.3172	0.3172	206,030,173	0.3210	0.3210	661,357		
Union Ambulance District	General Revenue	306,122,001	0.1648	0.1648	313,710,766	0.1656	0.1656	519,505		
Washington Area Ambulance District	General Revenue	430,739,165	0.1711	0.0500	444,829,894	0.1718	0.0000	0		
New Haven Ambulance District	General Revenue	91,687,247	0.2809	0.2809	88,767,948	0.2953	0.2809	249,349		
City of Berger	General Revenue	1,813,497	0.8089	0.8089	1,808,267	0.8134	0.8134	14,708		
City of Gerald	General Revenue	16,694,241	0.8997	0.8000	16,669,226	0.9065	0.8000	133,354		
	Parks & Recreation	16,694,241	0.2452	0.2200	16,669,226	0.2471	0.2200	36,672		
Village of Leslie	General Revenue	916,412	0.5143	0.4800	1,017,449	0.5200	0.4800	4,884		
City of New Haven	General Revenue	38,802,312	0.5067	0.5066	36,067,142	0.5545	0.5544	199,956		
	Parks & Recreation	38,802,312	0.2486	0.2486	36,067,142	0.2721	0.2710	97,742		
Village of Oak Grove	General Revenue	8,625,785	0.1929	0.1700	8,508,815	0.1957	0.1700	14,465		
City of Pacific	General Revenue	114,949,714	0.3623	0.3623	117,020,904	0.3650	0.3650	427,126		
Village of Parkway	General Revenue	4,917,644	0.3975	0.3975	5,225,341	0.3989	0.3989	20,844		
City of St. Clair	General Revenue	57,736,714	0.4682	0.4682	57,128,877	0.4789	0.4789	273,590		
	Parks & Recreation	57,736,714	0.1462	0.1462	57,128,877	0.1495	0.1495	85,408		
	Debt Service	57,736,714	0.3594	0.3594	57,128,877	0.3416	0.3416	195,152		
City of Sullivan	General Revenue	78,312,375	0.3886	0.3886	78,424,664	0.3926	0.3926	307,895		
	Library	77,006,737	0.1006	0.1006	77,000,761	0.1017	0.1017	78,310		
City of Union	General Revenue	156,024,858	0.5126	0.5126	160,820,001	0.5149	0.5149	828,062		
	Parks & Recreation	156,024,858	0.1234	0.1234	160,820,001	0.1240	0.1240	199,417		
City of Washington	General Revenue	305,231,447	0.5858	0.5857	316,485,859	0.5944	0.5941	1,880,242		
Franklin County Library District	General Revenue	1,508,163,293	0.0913	0.0913	1,540,623,985	0.0919	0.0919	1,415,833		
Washington Public Library	General Revenue	147,834,088	0.0906	0.0906	144,703,268	0.0935	0.0934	135,153		
Beaufort Leslie Fire Prot Dist	General Revenue	54,500,865	0.4421	0.4421	54,187,520	0.4529	0.4529	245,415		
Boles Fire Protection District	General Revenue	257,459,153	0.5537	0.5537	265,164,769	0.5578	0.5578	1,479,089		
	Debt Service	257,459,153	0.3214	0.3214	265,164,769	0.3269	0.3269	866,824		
Pacific Fire Protection District	General Revenue	228,623,468	0.6256	0.6256	227,872,646	0.6396	0.6301	1,435,826		
	Pension	228,623,468	0.0445	0.0445	227,872,646	0.0455	0.0448	102,087		
	Joint Dispatch	228,623,468	0.0445	0.0445	227,872,646	0.0455	0.0448	102,087		
	Debt Service	234,155,573	0.0680	0.0680	227,872,646	0.0732	0.0718	163,613		
St. Clair Fire Protection District	General Revenue	214,261,442	0.5495	0.5495	215,125,643	0.5563	0.5563	1,196,744		
Sullivan Fire Protection District	General Revenue	178,523,808	0.3609	0.3609	179,758,413	0.3641	0.1152	207,082		
Union Fire Protection District	General Revenue	296,923,545	0.2679	0.2679	304,349,735	0.2692	0.2692	819,309		
Gerald-Rosebud Fire Protection Dist	General Revenue	64,562,401	0.2324	0.2324	64,461,028	0.2361	0.2361	152,192		
New Haven-Berger Fire Prot Dist	General Revenue	96,429,824	0.2351	0.2351	93,488,540	0.2460	0.2460	229,982		
Gray Summit Sewer District	General Revenue	2,197,742	0.4319	0.4319	2,198,785	0.4341	0.4341	9,545		
Beauty View Sewer District	General Revenue	811,557	0.5640	0.5640	807,286	0.5670	0.5670	4,577		
Crestview Sewer District	General Revenue	1,110,496	0.4574	0.4574	1,066,289	0.4781	0.4781	5,098		
St. Clair Sewer District	General Revenue	9,013,258	0.3068	0.3068	9,384,664	0.3070	0.3070	28,811		
Sylvan Manor Sunset Acres Sew Dist	General Revenue	1,621,469	0.5440	0.5440	1,620,036	0.5460	0.5460	8,845		
Calvey Creek Sewer District	General Revenue	16,339,930	0.3616	0.3616	16,569,311	0.3632	0.3632	60,180		
East Central College	General Revenue	1,557,313,108	0.3488	0.3488	1,589,070,984	0.3507	0.3507	5,572,872		
	Debt Service	1,557,313,108	0.0831	0.0825	1,589,070,984	0.1152	0.0841	1,336,409		
Franklin Co R-II School District	Operating Funds-Schools	26,344,939	3.1783	3.1106	E 26,544,920	3.1739	3.1739	842,509	E	
	Debt Service	26,344,939	0.0920	0.0919	E **	**	**			
Meramec Valley R-III School Dist	Operating Funds-Schools	310,015,974	3.6200	3.6200	BF 313,808,521	3.6200	3.6200	11,359,868	F	
	Debt Service	310,015,974	1.2131	0.6900	F 313,808,521	1.0369	0.6900	2,165,279	F	
Union R-XI School District	Operating Funds-Schools	282,074,096	2.7929	2.7900	F 290,596,641	2.7985	2.7900	8,107,646	F	
	Debt Service	282,074,096	1.4995	0.7200	F 290,596,641	1.4259	0.9100	2,644,429	F	
Lonedell R-XIV School District	Operating Funds-Schools	37,294,136	3.6233	3.4300	E 37,358,320	3.6673	3.4800	1,300,070	E	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Franklin</u>										
Lonedell R-XIV School District	Debt Service	37,294,136	0.2665	0.2600	E	37,358,320	0.2108	0.2100	78,452	E
Spring Bluff R-XV School District	Operating Funds-Schools	22,825,070	2.7500	2.7500	E	22,925,395	2.7500	2.7500	630,448	E
	Debt Service	22,767,786	1.0603	0.7000	E	22,925,395	0.8444	0.7000	160,478	E
Franklin County R-XVI School Dist	Operating Funds-Schools	9,678,424	2.9762	2.9762	E	10,368,358	3.1500	3.1500	326,603	BE
	Debt Service	**	**	**		10,368,358	0.1427	0.1427	14,796	E
St. Clair R-XIII School District	Operating Funds-Schools	143,826,296	2.7500	2.7500	E	144,581,981	2.7500	2.7500	3,976,004	E
	Debt Service	143,826,296	0.7855	0.6200	E	144,581,981	0.8695	0.6200	896,408	E
Sullivan C-2 School District	Operating Funds-Schools	152,065,005	2.8787	2.8787	E	152,844,707	2.8921	2.8921	4,420,422	E
	Debt Service	152,065,005	1.7402	1.0927	E	152,844,707	1.7291	1.0793	1,649,653	E
New Haven School District	Operating Funds-Schools	36,924,645	4.1497	3.9900	E	34,515,017	4.3500	3.9900	1,377,149	E
	Debt Service	**	**	**		34,515,017	0.5974	0.5300	182,930	E
Washington School District	Operating Funds-Schools	685,688,762	3.4956	3.4956	BE	708,891,306	3.5135	3.5135	24,906,896	E
	Debt Service	685,688,762	0.2639	0.1644	E	708,891,306	0.2094	0.1465	1,038,526	E
Franklin County	General Revenue	1,737,914,090	0.2700	0.1173		1,767,234,986	0.2721	0.1173	2,072,967	
	Road & Bridge	1,737,914,090	0.1941	0.1941		1,767,234,986	0.1956	0.1941	3,430,203	
	Senate Bill 40	1,737,914,090	0.0918	0.0918		1,767,234,986	0.0925	0.0925	1,634,692	
<u>Gasconade</u>										
Owensville Ambulance District	General Revenue	89,975,308	0.3058	0.3058		88,691,160	0.3135	0.1078	95,609	
Hermann Area Ambulance District	General Revenue	118,464,214	0.2834	0.1646		119,268,679	0.2860	0.1293	154,214	
Hermann Area Hospital District	General Revenue	110,653,591	0.6983	0.6983		111,856,084	0.7024	0.7024	785,677	
Morrison Levee Dist Gasconade Co	General Revenue	78,280	0.7141	0.7141		77,980	0.7169	0.7169	559	
Morrison Sp Rd Dist #4 Gasconade Co	Road & Bridge	4,763,506	0.2664	0.2664		4,857,491	0.2664	0.2664	12,940	
City of Bland	General Revenue	3,568,137	0.8780	0.8780		3,552,803	0.8832	0.8832	31,378	
	Parks & Recreation	3,568,137	0.2349	0.2349		3,552,803	0.2363	0.2363	8,395	
	Debt Service	3,568,137	0.6524	0.6524		3,552,803	1.1484	1.1484	40,800	
City of Gasconade	General Revenue	1,390,786	0.6061	0.6061		1,410,749	0.6061	0.6061	8,551	
City of Hermann	General Revenue	34,754,459	0.3476	0.3476		35,380,700	0.3518	0.3518	124,469	
	Parks & Recreation	34,754,459	0.0091	0.0091		35,380,700	0.0092	0.0092	3,255	
	Band	34,754,459	0.0182	0.0100		35,380,700	0.0184	0.0100	3,538	
City of Morrison	General Revenue	1,072,501	0.5606	0.5606		1,087,633	0.5605	0.5605	6,096	
City of Owensville	General Revenue	38,696,033	0.2889	0.2889		37,558,928	0.2998	0.2998	112,602	
	Parks & Recreation	38,696,033	0.2889	0.2889		37,558,928	0.2998	0.2998	112,602	
	Debt Service	38,696,033	0.0814	0.0814		37,558,928	0.9645	0.0814	30,573	
City of Rosebud	General Revenue	4,030,715	0.4151	0.4151		4,156,817	0.4152	0.4152	17,259	
Gasconade County Library District	General Revenue	210,341,862	0.0921	0.0921		210,344,282	0.0934	0.0934	196,462	
Bland Fire Protection District	General Revenue	19,243,894	0.2132	0.2132		19,256,142	0.2150	0.2150	41,401	
Gasconade/Osage Co Health Depart	General Revenue	**	**	**		210,344,282	0.0934	0.0934	196,462	
Gasconade Co R-II School District	Operating Funds-Schools	149,988,442	3.2051	3.1800	F	149,999,780	3.2481	3.1800	4,769,993	F
	Debt Service	149,988,442	1.3202	0.6700	F	149,999,780	1.1018	0.6700	1,004,999	F
Gasconade County R-I School Dist	Operating Funds-Schools	104,674,616	2.9409	2.8500	E	105,945,706	2.9549	2.9549	3,130,590	E
	Debt Service	104,674,616	0.9559	0.7500	E	105,945,706	0.9249	0.7500	794,593	E
Gasconade County	General Revenue	210,341,862	0.3472	0.1358		210,344,282	0.3520	0.1535	322,878	
	Common Road District	205,578,355	0.2534	0.2534		205,486,790	0.2570	0.2570	528,101	
	Health	210,341,862	0.0921	0.0921		**	**	**		
	Mental Health	210,341,862	0.0921	0.0921		210,344,282	0.0934	0.0934	196,462	
	Senate Bill 40	210,341,862	0.0921	0.0921		210,344,282	0.0934	0.0934	196,462	
<u>Gentry</u>										
Grand River Regional Ambulance Dist	General Revenue	103,053,508	0.1800	0.1800		107,140,081	0.1800	0.1800	192,852	
City of Albany	General Revenue	14,905,740	0.6053	0.6053		14,889,194	0.6098	0.6098	90,794	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Gentry</u>									
City of Albany	Parks & Recreation	14,905,740	0.2681	0.2681	14,889,194	0.2701	0.2701	40,216	
	Library	14,905,740	0.4600	0.4600	14,889,194	0.4600	0.4600	68,490	
	Health	14,905,740	0.1688	0.1688	14,889,194	0.1701	0.1701	25,327	
Village of Darlington	General Revenue	254,572	0.5000	0.5000	257,431	0.5000	0.5000	1,287	
Village of Gentry	General Revenue	275,136	0.5000	0.5000	265,327	0.5000	0.5000	1,327	
City of King City	General Revenue	6,095,203	0.6958	0.6958	6,007,716	0.7181	0.7181	43,141	
	Parks & Recreation	6,095,203	0.1714	0.1714	6,007,716	0.1769	0.1769	10,628	
	Health	6,095,203	0.1714	0.1714	6,007,716	0.1769	0.1769	10,628	
	Police	6,095,203	0.1500	0.1500	6,007,716	0.1500	0.1500	9,012	2009
City of McFall	General Revenue	547,491	0.6557	0.6557	472,557	0.7500	0.7500	3,544	
City of Stanberry	General Revenue	8,691,482	0.6266	0.6266	8,765,541	0.6293	0.6293	55,162	
	Parks & Recreation	8,691,482	0.1660	0.1660	8,765,541	0.1667	0.1667	14,612	
	Streets	8,691,482	0.3698	0.3698	8,765,541	0.3714	0.3714	32,555	
Gentry County Library Dist	General Revenue	62,391,071	0.2000	0.2000	66,237,521	0.2000	0.2000	132,475	
	Debt Service	62,391,071	0.1082	0.1000	66,237,521	0.0853	0.0853	56,501	
Athens Township of Gentry Co	General Revenue	21,527,348	0.0974	0.0974	21,838,215	0.0974	0.0974	21,270	
	Road & Bridge	21,527,348	0.3727	0.3727	21,838,215	0.3727	0.3727	81,391	
	Special Road District	21,527,348	0.2000	0.2000	21,838,215	0.2000	0.2000	43,676	2008
	Special Road and Bridge	21,527,348	0.2436	0.2436	**	**	**		2007
	Special Road and Bridge	**	**	**	21,838,215	0.2500	0.2500	54,596	A 2011
Bogle Township of Gentry Co	General Revenue	4,962,127	0.1000	0.1000	4,766,680	0.1000	0.1000	4,767	
	Road & Bridge	4,962,127	0.5000	0.5000	4,766,680	0.5000	0.5000	23,833	
	Special Road and Bridge	4,962,127	0.3200	0.3200	**	**	**		2007
	Gravel	4,962,127	0.3500	0.3500	**	**	**		2007
	Gravel & Maintenance	4,962,127	0.4500	0.4500	4,766,680	0.4500	0.4500	21,450	2009
	Special Road and Bridge	**	**	**	4,766,680	0.3200	0.3200	15,253	A 2011
	Gravel	**	**	**	4,766,680	0.3500	0.3500	16,683	A 2011
Cooper Township of Gentry Co	General Revenue	16,003,300	0.1000	0.1000	16,099,740	0.1000	0.1000	16,100	
	Road & Bridge	16,003,300	0.4727	0.4727	16,099,740	0.4744	0.4744	76,377	
	Special Road and Bridge	16,003,300	0.1500	0.1500	**	**	**		2007
	Special Road and Bridge	**	**	**	16,099,740	0.1500	0.1500	24,150	A 2011
Howard Township of Gentry Co	General Revenue	2,082,350	0.1000	0.1000	2,038,298	0.1000	0.1000	2,038	
	Road & Bridge	2,082,350	0.5000	0.5000	2,038,298	0.5000	0.5000	10,191	
	Special Road and Bridge	2,082,350	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,038,298	0.3500	0.3500	7,134	A 2011
	Gravel	**	**	**	2,038,298	0.3000	0.3000	6,115	A 2011
Huggins Township of Gentry Co	General Revenue	2,606,523	0.1000	0.1000	3,198,211	0.1000	0.1000	3,198	
	Road & Bridge	2,606,523	0.5000	0.5000	3,198,211	0.5000	0.5000	15,991	
	Special Road and Bridge	2,606,523	0.3300	0.3300	**	**	**		2007
	Special Road and Bridge	**	**	**	3,198,211	0.3300	0.3300	10,554	A 2011
Jackson Township of Gentry Co	General Revenue	18,102,709	0.0979	0.0979	21,145,923	0.1000	0.1000	21,146	
	Road & Bridge	18,102,709	0.4565	0.4565	21,145,923	0.4672	0.4672	98,794	
	Special Road District	18,102,709	0.2500	0.2500	A 21,145,923	0.2500	0.2500	52,865	2010
	Special Road and Bridge	18,102,709	0.1174	0.1174	**	**	**		2007
	Special Road and Bridge	**	**	**	21,145,923	0.1200	0.1200	25,375	A 2011
Miller Township of Gentry Co	General Revenue	8,096,151	0.1000	0.1000	8,094,713	0.1000	0.1000	8,095	
	Road & Bridge	8,096,151	0.5000	0.5000	8,094,713	0.5000	0.5000	40,474	
	Special Road District	8,096,151	0.2900	0.2900	8,094,713	0.2900	0.2900	23,475	2008
	Special Road and Bridge	8,096,151	0.3500	0.3500	A 8,094,713	0.3500	0.3500	28,331	2010
Wilson Township of Gentry Co	General Revenue	3,916,303	0.1000	0.1000	3,944,934	0.1000	0.1000	3,945	
	Road & Bridge	3,916,303	0.5000	0.5000	3,944,934	0.5000	0.5000	19,725	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Gentry</u>									
Wilson Township of Gentry Co	Special Road and Bridge	3,916,303	0.2900	0.2900	3,944,934	0.2900	0.2900	11,440	2008
	Gravel	3,916,303	0.3000	0.3000	**	**	**		2007
	Gravel	**	**	**	3,944,934	0.3000	0.3000	11,835	A 2009
Albany Community Fire Prot Dist	General Revenue	33,361,347	0.1595	0.1595	34,031,264	0.1612	0.1612	54,858	
	Fire	33,361,347	0.1496	0.1496	34,031,264	0.1500	0.1500	51,047	
Stanberry Fire Protection Dist	General Revenue	21,621,697	0.1000	0.1000	21,551,556	0.4000	0.4000	86,206	
	General Revenue-Temp	21,621,697	0.3000	0.3000	21,551,556	0.3000	0.0000	0	2009
McFall Fire Protection District	General Revenue	3,343,954	0.2913	0.2913	3,464,113	0.2935	0.2935	10,167	
King City Fire Protection District	General Revenue	25,878,179	0.3000	0.3000	29,327,531	0.3000	0.3000	87,983	
King City R-I School District	Operating Funds-Schools	26,020,735	4.3600	3.8937	29,499,308	4.3600	4.0817	1,204,073	
	Debt Service	26,020,735	0.5783	0.5100	29,499,308	0.6104	0.5100	150,446	
Stanberry R-II School District	Operating Funds-Schools	20,469,359	4.1000	4.1000	E 20,660,455	4.1000	4.1000	847,079	E
	Operating Funds-Temp	20,469,359	1.3300	1.3300	AE 20,660,455	1.3300	1.3300	274,784	E 2026
Albany R-III School District	Operating Funds-Schools	31,983,620	4.4893	4.3893	BE 32,755,049	4.4893	4.4893	1,470,472	E
Gentry County	General Revenue	77,296,811	0.3349	0.3349	81,126,714	0.3385	0.3385	274,614	
	Senior Services	77,296,811	0.0500	0.0500	81,126,714	0.0500	0.0500	40,563	
	General Revenue-Temp	77,296,811	0.1900	0.1900	A 81,126,714	0.1900	0.1900	154,141	2010
<u>Greene</u>									
City of Ash Grove	General Revenue	12,479,290	0.5393	0.5393	12,481,997	0.5510	0.5510	68,776	
City of Battlefield	General Revenue	51,407,380	0.2862	0.2862	43,728,490	0.3455	0.3455	151,082	
	Debt Service	51,407,380	0.1762	0.1762	43,728,490	0.2460	0.2460	107,572	
City of Fair Grove	General Revenue	13,215,160	0.4967	0.4967	14,195,480	0.4967	0.4967	70,509	
	Debt Service	13,215,160	0.4363	0.4363	14,195,480	0.3361	0.3361	47,711	
City of Republic	General Revenue	120,499,865	0.4453	0.4453	129,487,332	0.4453	0.4453	576,607	
	Parks & Recreation	120,499,865	0.1199	0.1199	129,487,332	0.1199	0.1199	155,255	
	Lights	120,499,865	0.0685	0.0685	129,487,332	0.0685	0.0685	88,699	
City of Springfield	Parks & Recreation	2,415,729,806	0.1826	0.1826	2,464,611,492	0.1826	0.1826	4,500,381	
	Health	2,415,729,806	0.1245	0.1245	2,464,611,492	0.1245	0.1245	3,068,441	
	Art Museum	2,415,729,806	0.0382	0.0382	2,464,611,492	0.0382	0.0382	941,482	
	General Revenue-Temp	2,415,729,806	0.2619	0.2619	2,464,611,492	0.2619	0.2619	6,454,817	2009
City of Strafford	General Revenue	20,800,489	0.3702	0.3702	22,210,350	0.3702	0.3702	82,223	
City of Walnut Grove	General Revenue	5,323,414	0.5399	0.5399	5,327,800	0.5399	0.5399	28,765	
City of Willard	General Revenue	37,398,545	0.4048	0.4048	40,921,399	0.4008	0.4008	164,013	
	Parks & Recreation	37,398,545	0.1239	0.1239	40,921,399	0.1227	0.1227	50,211	
Springfield Greene County Library	General Revenue	3,931,631,718	0.2414	0.2414	4,030,813,514	0.2414	0.2414	9,730,384	
Battlefield Fire Protection Dist	General Revenue	482,386,800	0.3262	0.3262	496,047,662	0.3262	0.3262	1,618,107	
Strafford Fire Protection District	General Revenue	119,540,360	0.2432	0.2432	127,790,591	0.2432	0.2432	310,787	
Fair Grove Fire Protection District	General Revenue	61,160,540	0.1705	0.1705	61,882,002	0.1720	0.1720	106,437	
Brookline Fire Protection District	General Revenue	89,969,987	0.2430	0.2430	91,403,520	0.2435	0.2435	222,568	
Logan-Rogersville Fire Prot Dist	General Revenue	347,233,377	0.3526	0.3526	356,876,319	0.3526	0.3526	1,258,346	
Willard Fire Protection District	General Revenue	127,267,435	0.2441	0.2441	131,977,937	0.2441	0.2441	322,158	
Walnut Grove Fire Protection Dist	General Revenue	34,739,362	0.2898	0.2898	34,557,056	0.2954	0.2954	102,082	
West Republic Fire Protection Dist	General Revenue	23,273,723	0.2511	0.2511	23,914,816	0.2511	0.2511	60,050	
Ebenezer Fire Protection District	General Revenue	100,304,391	0.2766	0.2766	102,664,230	0.2766	0.2766	283,969	
Bois D'Arc Fire Protection District	General Revenue	21,430,582	0.3000	0.3000	22,147,708	0.3000	0.3000	66,443	
Ash Grove Fire Protection District	General Revenue	23,412,726	0.2544	0.2544	23,545,921	0.3544	0.3544	83,447	
Pleasant View Fire Protection Dist	General Revenue	28,497,770	0.3000	0.3000	28,991,660	0.3000	0.3000	86,975	
Springfield Spec Parking District	General Revenue	**	**	**	**	**	**		
C and E Community Improvement Dist	General Revenue	10,396,340	3.0000	3.0000	4,380,280	3.0000	0.0000	0	
Ozarks Technical Community College	General Revenue	4,696,160,437	0.0941	0.0941	5,106,717,402	0.0932	0.0932	4,759,461	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Greene</u>										
Ozarks Technical Community College	General Revenue-Temp	4,696,160,437	0.0471	0.0471		5,106,717,402	0.0466	0.0466	2,379,730	
Willard R-II School District	Operating Funds-Schools	282,588,100	3.2017	3.2000	E	294,591,456	3.1995	3.1995	9,425,454	E
	Debt Service	282,588,100	1.7295	0.7900	E	294,591,456	1.8062	0.7905	2,328,745	E
Republic R-III School District	Operating Funds-Schools	248,237,949	3.2400	3.2400	BE	261,688,326	3.3400	3.3400	8,740,390	BE
	Buildings-Temp	248,237,949	0.3675	0.0000	E	**	**	**		2007
	Building-Temp	248,237,949	0.4392	0.0000	E	261,688,326	0.4364	0.0000	0	E 2010
	Debt Service	248,237,949	1.8705	0.8400	E	261,688,326	1.7748	0.8400	2,198,182	E
Ash Grove R-IV School District	Operating Funds-Schools	48,763,575	3.0850	2.7500	F	50,777,659	3.0813	2.7500	1,396,386	F
	Debt Service	48,763,575	0.7879	0.5000	F	50,777,659	0.5138	0.5000	253,888	F
Walnut Grove R-V School District	Operating Funds-Schools	17,411,485	3.2459	3.2459	E	17,620,220	3.2477	3.2477	572,252	E
Strafford R-VI School District	Operating Funds-Schools	141,364,977	2.7500	2.7500	F	149,571,789	2.7500	2.7500	4,113,224	F
	Debt Service	141,364,977	1.1893	0.7000	F	149,571,789	0.9763	0.7000	1,047,003	F
Logan-Rogersville R-VIII School Dis	Operating Funds-Schools	191,646,383	2.9697	2.9687	E	199,747,602	2.9681	2.9681	5,928,709	E
	Debt Service	191,646,383	1.4109	0.9713	E	199,747,602	1.1961	0.9719	1,941,347	E
Springfield R-XII School District	Operating Funds-Schools	2,955,813,840	3.1087	3.1087	E	3,017,656,585	3.1092	3.1092	93,824,979	E
	Debt Service	2,955,813,840	0.7461	0.5100	E	3,017,656,585	0.6726	0.5100	15,390,049	E
Fair Grove R-X School District	Operating Funds-Schools	58,186,071	2.7661	2.7500	F	59,336,208	2.7564	2.7500	1,631,746	F
	Debt Service	58,186,071	1.5718	0.9000	F	59,336,208	1.0796	0.9000	534,026	F
Greene County	General Revenue	3,931,631,718	0.2493	0.1074		4,030,813,514	0.2493	0.1074	4,329,094	
	Road & Bridge	3,931,631,718	0.2493	0.1074		4,030,813,514	0.2493	0.1074	4,329,094	
	Senate Bill 40	3,931,631,718	0.0462	0.0462		4,030,813,514	0.0462	0.0462	1,862,236	
	Senior Services	3,931,631,718	0.0492	0.0492		4,030,813,514	0.0492	0.0492	1,983,160	
<u>Grundy</u>										
Grundy County Nursing Home District	General Revenue	103,365,674	0.1500	0.1500		106,653,872	0.1500	0.1500	159,981	
Spickard Special Road District	Special Road and Bridge	1,254,767	0.3500	0.3500		1,300,473	0.3500	0.3500	4,552	2009
Village of Brimson	General Revenue	266,825	0.2500	0.2000		257,510	0.2500	0.2000	515	
City of Galt	General Revenue	839,273	1.0000	1.0000		815,755	1.0000	1.0000	8,158	
City of Laredo	General Revenue	1,141,052	0.6825	0.6825		921,811	0.7000	0.7000	6,453	
	Streets	1,141,052	0.2926	0.2926		921,811	0.3000	0.3000	2,765	
City of Spickard	General Revenue	1,030,533	1.0000	1.0000		1,049,700	1.0000	1.0000	10,497	
City of Tindall	General Revenue	544,120	0.4500	0.4500		424,708	0.4500	0.4500	1,911	
City of Trenton	General Revenue	53,175,957	0.8051	0.8051		55,214,048	0.8118	0.8118	448,228	
	Parks & Recreation	53,175,957	0.3000	0.1500		55,214,048	0.3000	0.1500	82,821	
Grundy Co Jewett Norris Library	General Revenue	103,365,674	0.2000	0.2000		106,653,872	0.2000	0.2000	213,308	
Franklin Township of Grundy Co	General Revenue	3,877,964	0.1000	0.1000		4,002,759	0.1000	0.1000	4,003	
	Road & Bridge	3,877,964	0.4374	0.4374		4,002,759	0.4374	0.4374	17,508	
	Special Road and Bridge	3,877,964	0.3500	0.3500	A	4,002,759	0.3500	0.3500	14,010	2010
Harrison Township of Grundy Co	General Revenue	1,863,837	0.1000	0.1000		1,854,375	0.1000	0.1000	1,854	
	Road & Bridge	1,863,837	0.5000	0.5000		1,854,375	0.5000	0.5000	9,272	
	Special Road and Bridge	1,863,837	0.3500	0.3500		1,854,375	0.3500	0.3500	6,490	2008
Jackson Township of Grundy Co	General Revenue	3,269,751	0.1000	0.1000		3,361,843	0.1000	0.1000	3,362	
	Road & Bridge	3,269,751	0.4092	0.4092		3,361,843	0.4107	0.4107	13,807	
	Special Road and Bridge	3,269,751	0.3500	0.3500	A	3,361,843	0.3500	0.3500	11,766	2010
Jefferson Township of Grundy Co	General Revenue	5,412,760	0.0976	0.0976		5,423,350	0.0985	0.0985	5,342	
	Road & Bridge	5,412,760	0.2741	0.2741		5,423,350	0.2766	0.2766	15,001	
	Special Road and Bridge	5,412,760	0.3500	0.3500	A	5,423,350	0.3500	0.3500	18,982	2010
Liberty Township of Grundy Co	General Revenue	3,426,474	0.1000	0.1000		3,484,000	0.1000	0.1000	3,484	
	Road & Bridge	3,426,474	0.5000	0.5000		3,484,000	0.5000	0.5000	17,420	
	Special Road and Bridge	3,426,474	0.3500	0.3500		3,484,000	0.3500	0.3500	12,194	2008
Lincoln Township of Grundy Co	General Revenue	6,483,306	0.1000	0.1000		6,560,066	0.1000	0.1000	6,560	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Grundy</u>									
Lincoln Township of Grundy Co	Road & Bridge	6,483,306	0.3021	0.3021	6,560,066	0.3026	0.3026	19,851	2008
	Special Road and Bridge	6,483,306	0.3500	0.3500	6,560,066	0.3500	0.3500	22,960	
Madison Township of Grundy Co	General Revenue	5,636,313	0.1000	0.1000	6,261,599	0.1000	0.1000	6,262	2010
	Road & Bridge	5,636,313	0.5000	0.5000	6,261,599	0.5000	0.5000	31,308	
	Special Road and Bridge	5,636,313	0.3500	0.3500	A 6,261,599	0.3500	0.3500	21,916	
Marion Township of Grundy Co	General Revenue	3,984,082	0.0998	0.0998	4,223,514	0.1000	0.1000	4,224	2010
	Road & Bridge	3,984,082	0.4992	0.4992	4,223,514	0.5000	0.5000	21,118	
	Special Road and Bridge	3,984,082	0.3500	0.3500	A 4,223,514	0.3500	0.3500	14,782	
Myers Township of Grundy County	General Revenue	1,794,232	0.1000	0.1000	1,874,599	0.1000	0.1000	1,875	2010
	Road & Bridge	1,794,232	0.5000	0.5000	1,874,599	0.5000	0.5000	9,373	
	Special Road and Bridge	1,794,232	0.3500	0.3500	A 1,874,599	0.3500	0.3500	6,561	
Taylor Township of Grundy Co	General Revenue	1,616,675	0.1000	0.1000	1,626,524	0.1000	0.1000	1,627	2008
	Road & Bridge	1,616,675	0.4547	0.4547	1,626,524	0.4571	0.4571	7,435	
	Special Road and Bridge	1,616,675	0.3500	0.3500	1,626,524	0.3500	0.3500	5,693	
Trenton Township of Grundy Co	General Revenue	60,631,453	0.1000	0.0800	62,691,688	0.1000	0.0600	37,615	2010
	Road & Bridge	60,631,453	0.3087	0.2887	62,691,688	0.3110	0.2687	168,453	
Wilson Township of Grundy Co	General Revenue	4,051,949	0.1000	0.1000	3,945,781	0.1000	0.1000	3,946	2010
	Road & Bridge	4,051,949	0.5000	0.5000	3,945,781	0.5000	0.5000	19,729	
	Special Road and Bridge	4,051,949	0.3500	0.3500	A 3,945,781	0.3500	0.3500	13,810	
Washington Township of Grundy Co	General Revenue	1,316,674	0.0939	0.0939	1,343,503	0.0938	0.0938	1,260	2010
	Road & Bridge	1,316,674	0.4693	0.4693	1,343,503	0.4693	0.4693	6,305	
	Special Road and Bridge	1,316,674	0.3500	0.3500	A 1,343,503	0.3500	0.3500	4,702	
Grundy County Rural Fire Prot Dist	General Revenue	25,683,395	0.3000	0.2800	26,801,933	0.3000	0.3000	80,406	
Laredo Fire Protection District	General Revenue	9,125,898	0.3000	0.2800	9,185,944	0.3000	0.2800	25,721	
Spickard Fire Protection District	General Revenue	10,776,719	0.3000	0.3000	11,190,461	0.3000	0.3000	33,571	
Grundy County Health Department	General Revenue	**	**	**	106,653,872	0.3000	0.3000	319,962	
North Central Missouri College	General Revenue	76,706,902	0.3956	0.3956	79,736,480	0.3970	0.3970	316,554	
Grundy Co R-V School District	Operating Funds-Schools	11,142,900	4.3400	4.3400	E 11,398,862	4.3400	4.3400	494,711	E
	Operating Funds-Temp	11,142,900	0.4500	0.4500	E 11,398,862	0.4500	0.4500	51,295	E 2008
	Debt Service	11,142,900	1.3151	1.1307	E 11,398,862	1.1905	1.1307	128,887	E
Spickard R-II School District	Operating Funds-Schools	3,665,967	4.1109	4.1108	E 3,710,350	4.1018	4.1018	152,191	E
	Debt Service	3,665,967	0.4335	0.4335	E 3,710,350	0.3910	0.3910	14,507	E
Pleasant View R-VI School District	Operating Funds-Schools	6,087,202	4.5201	4.5201	E 6,337,805	4.4708	4.4708	283,351	E
Laredo R-VII School District	Operating Funds-Schools	4,844,650	4.9000	4.9000	E 4,849,480	4.9000	4.9000	237,625	E
	Operating Funds-Temp	4,844,650	1.4000	0.7500	E 4,849,480	1.4000	1.0900	52,859	E 2008
Trenton R-IX School District	Operating Funds-Schools	70,648,933	3.5400	3.5400	E 73,516,460	3.5580	3.5580	2,615,716	E
	Debt Service	70,648,933	0.9101	0.9000	E 73,516,460	1.0358	0.9000	661,648	E
Grundy County	General Revenue	103,365,674	0.3790	0.1823	106,653,872	0.3813	0.1547	164,994	
	Health	103,365,674	0.3000	0.3000	**	**	**		
	Developmentally Disabled	103,365,674	0.1000	0.1000	106,653,872	0.1000	0.1000	106,654	
	Senior Services	103,365,674	0.0500	0.0500	A 106,653,872	0.0500	0.0500	53,327	
<u>Harrison</u>									
North Harrison Co Ambulance Dist	General Revenue	27,856,692	0.5000	0.5000	28,287,755	0.5000	0.5000	141,439	
Noel Adams Ambulance District	General Revenue	69,268,821	0.2808	0.0000	70,679,053	0.2808	0.0000	0	
Harrison County Hospital District	General Revenue	91,795,908	0.5000	0.4500	94,014,020	0.5000	0.4500	423,063	
Panther Creek Watershed Sub Dist	General Revenue	1,503,642	0.2900	0.2900	1,529,625	0.2400	0.2400	3,671	
West Fork of Big Creek Sub Dist	General Revenue	11,306,977	0.3844	0.3844	11,361,889	0.3898	0.3898	44,289	
East Fork of Big Creek Subdistrict	General Revenue	4,505,244	0.4000	0.4000	4,594,758	0.4000	0.4000	18,379	
City of Bethany	General Revenue	26,848,328	0.5503	0.5503	30,388,433	0.5093	0.5093	154,768	
	Parks & Recreation	26,848,328	0.2000	0.0000	30,388,433	0.1851	0.0000	0	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Harrison</u>									
City of Bethany	Road	26,848,328	0.3111	0.3111	30,388,433	0.2879	0.2879	87,488	
Village of Blythedale	General Revenue	665,190	0.8778	0.8778	695,276	0.8855	0.8855	6,157	
City of Cainsville	General Revenue	1,521,571	0.7705	0.5000	1,557,150	0.7728	0.5000	7,786	
	Fire	1,521,571	0.2500	0.0000	1,557,150	0.2500	0.0000	0	
	General Revenue-Temp	1,521,571	0.3000	0.3000	A 1,557,150	0.3000	0.3000	4,671	2010
	Gravel	1,521,571	1.1678	0.5000	1,557,150	1.1713	0.5000	7,786	
	Debt Service	1,521,571	0.6319	0.6319	1,557,150	0.3676	0.3676	5,724	
City of Gilman City	General Revenue	1,560,210	0.4956	0.4956	1,542,238	0.5114	0.5114	7,887	
	Parks & Recreation	1,560,210	0.0500	0.0500	1,542,238	0.0500	0.0500	771	
	Streets	1,560,210	0.1794	0.1794	1,542,238	0.1851	0.1851	2,855	
Village of Mount Moriah	General Revenue	478,368	0.5000	0.5000	421,753	0.5000	0.5000	2,109	
City of New Hampton	General Revenue	1,087,253	0.7128	0.7128	1,094,811	0.7212	0.7212	7,896	
	Lights	1,087,253	0.1426	0.1426	1,094,811	0.1442	0.1442	1,579	
	Streets	1,087,253	0.2852	0.2852	1,094,811	0.2886	0.2886	3,160	
City of Ridgeway	General Revenue	1,945,088	1.0000	1.0000	1,901,402	1.0000	1.0000	19,014	
	Parks & Recreation	1,945,088	0.0500	0.0500	1,901,402	0.0500	0.0500	951	
Adams Township of Harrison Co	General Revenue	2,212,330	0.1000	0.1000	2,297,611	0.1000	0.1000	2,298	
	Road & Bridge	2,212,330	0.5000	0.5000	2,297,611	0.5000	0.5000	11,488	
	Special Road and Bridge	2,212,330	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,297,611	0.3500	0.3500	8,042	A 2011
Bethany Township of Harrison County	General Revenue	32,502,985	0.1000	0.1000	33,126,679	0.1000	0.1000	33,127	
	Road & Bridge	32,502,985	0.3323	0.3323	33,126,679	0.3323	0.3323	110,080	
Butler Township of Harrison Co	General Revenue	2,090,577	0.0957	0.0957	2,059,915	0.0990	0.0990	2,039	
	Road & Bridge	2,090,577	0.4050	0.4050	2,059,915	0.4189	0.4189	8,629	
	Special Road and Bridge	2,090,577	0.3392	0.3392	**	**	**		2007
	Special Road and Bridge	**	**	**	2,059,915	0.3500	0.3500	7,210	A 2011
Clay Township of Harrison Co	General Revenue	2,477,781	0.1000	0.1000	2,563,595	0.1000	0.1000	2,564	
	Road & Bridge	2,477,781	0.5000	0.5000	2,563,595	0.5000	0.5000	12,818	
	Special Road and Bridge	2,477,781	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,563,595	0.3500	0.3500	8,973	A 2011
Colfax Township of Harrison Co	General Revenue	5,761,271	0.0985	0.0985	5,867,852	0.0999	0.0999	5,862	
	Road & Bridge	5,761,271	0.4545	0.4545	5,867,852	0.4608	0.4608	27,039	
	Special Road and Bridge	5,761,271	0.3449	0.3449	**	**	**		2007
	Special Road and Bridge	**	**	**	5,867,852	0.3500	0.3500	20,537	A 2011
Cypress Township of Harrison Co	General Revenue	2,279,578	0.1000	0.1000	2,447,100	0.1000	0.1000	2,447	
	Road & Bridge	2,279,578	0.3937	0.3937	2,447,100	0.3937	0.3937	9,634	
	Special Road and Bridge	2,279,578	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,447,100	0.3500	0.3500	8,565	A 2011
Dallas Township of Harrison Co	General Revenue	2,143,617	0.1000	0.1000	2,108,389	0.1000	0.1000	2,108	
	Road & Bridge	2,143,617	0.4109	0.4109	2,108,389	0.4225	0.4225	8,908	
	Special Road and Bridge	2,143,617	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	2,108,389	0.3500	0.3500	7,379	A 2011
Fox Creek Township of Harrison Co	General Revenue	1,840,136	0.1000	0.1000	1,925,748	0.1000	0.1000	1,926	
	Road & Bridge	1,840,136	0.4481	0.4481	1,925,748	0.4506	0.4506	8,677	
	Special Road and Bridge	1,840,136	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	1,925,748	0.3500	0.3500	6,740	A 2011
Grant Township of Harrison Co	General Revenue	3,359,384	0.1000	0.1000	3,360,674	0.1000	0.1000	3,361	
	Road & Bridge	3,359,384	0.4900	0.4900	3,360,674	0.4913	0.4913	16,511	
	Special Road and Bridge	3,359,384	0.3500	0.3500	**	**	**		2007
	Special Road and Bridge	**	**	**	3,360,674	0.3500	0.3500	11,762	A 2011
Hamilton Township of Harrison Co	General Revenue	2,613,899	0.1000	0.1000	2,613,202	0.1000	0.1000	2,613	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Harrison</u>										
Hamilton Township of Harrison Co	Road & Bridge	2,613,899	0.4942	0.4942	2,613,202	0.5000	0.5000	13,066	2007	
	Special Road and Bridge	2,613,899	0.3500	0.3500	**	**	**			
	Special Road and Bridge	**	**	**	2,613,202	0.3500	0.3500	9,146		A 2011
Jefferson Township of Harrison Co	General Revenue	3,821,728	0.0997	0.0997	3,939,227	0.1000	0.1000	3,939	2007	
	Road & Bridge	3,821,728	0.4277	0.4277	3,939,227	0.4353	0.4353	17,147		A 2011
	Special Road and Bridge	3,821,728	0.3489	0.3489	**	**	**			
Lincoln Township of Harrison Co	Special Road and Bridge	**	**	**	3,939,227	0.3500	0.3500	13,787	2007	
	General Revenue	1,990,832	0.0996	0.0996	2,000,392	0.1000	0.1000	2,000		A 2011
	Road & Bridge	1,990,832	0.4978	0.4978	2,000,392	0.5000	0.5000	10,002		
Madison Township of Harrison Co	Special Road and Bridge	1,990,832	0.3484	0.3484	**	**	**		2007	
	Special Road and Bridge	**	**	**	2,000,392	0.3500	0.3500	7,001		A 2011
	General Revenue	4,114,721	0.1000	0.1000	4,255,999	0.1000	0.1000	4,256		
Marion Township of Harrison Co	Road & Bridge	4,114,721	0.4969	0.4969	4,255,999	0.4969	0.4969	21,148	2007	
	Special Road and Bridge	4,114,721	0.3500	0.3500	**	**	**			A 2011
	Special Road and Bridge	**	**	**	4,255,999	0.3500	0.3500	14,896		
Sherman Township of Harrison Co	General Revenue	5,007,646	0.0997	0.0997	5,071,180	0.1000	0.1000	5,071	2007	
	Road & Bridge	5,007,646	0.4445	0.4445	5,071,180	0.4483	0.4483	22,734		A 2011
	Special Road and Bridge	5,007,646	0.3489	0.3489	**	**	**			
Sugar Creek Township of Harrison Co	Special Road and Bridge	**	**	**	5,071,180	0.3500	0.3500	17,749	2007	
	General Revenue	3,137,525	0.0995	0.0995	3,227,498	0.0997	0.0997	3,218		A 2011
	Road & Bridge	3,137,525	0.4973	0.4973	3,227,498	0.4985	0.4985	16,089		
Trail Creek Township of Harrison Co	Special Road and Bridge	3,137,525	0.3481	0.3481	**	**	**		2007	
	Special Road and Bridge	**	**	**	3,227,498	0.3500	0.3500	11,296		A 2011
	General Revenue	3,457,419	0.1000	0.1000	3,477,042	0.1000	0.1000	3,477		
Union Township of Harrison Co	Road & Bridge	3,457,419	0.3866	0.3866	3,477,042	0.3896	0.3896	13,547	2007	
	Special Road and Bridge	3,457,419	0.3500	0.3500	**	**	**			A 2011
	Special Road and Bridge	**	**	**	3,477,042	0.3500	0.3500	12,170		
Washington Township of Harrison Co	General Revenue	3,055,204	0.1000	0.1000	3,281,910	0.1000	0.1000	3,282	2007	
	Road & Bridge	3,055,204	0.5000	0.5000	3,281,910	0.5000	0.5000	16,410		A 2011
	Special Road and Bridge	3,055,204	0.3500	0.3500	**	**	**			
White Oak Township of Harrison Co	Special Road and Bridge	**	**	**	3,281,910	0.3500	0.3500	11,487	2007	
	General Revenue	3,948,965	0.0991	0.0991	3,963,345	0.0999	0.0999	3,959		A 2011
	Road & Bridge	3,948,965	0.4738	0.4738	3,963,345	0.4774	0.4774	18,921		
Harrison County Health Department	Special Road and Bridge	3,948,965	0.3470	0.3470	**	**	**		2007	
	Special Road and Bridge	**	**	**	3,963,345	0.3500	0.3500	13,872		A 2011
	General Revenue	1,951,450	0.1000	0.1000	1,952,190	0.1000	0.1000	1,952		
Cainsville Fire Protection District	Road & Bridge	1,951,450	0.4608	0.4608	1,952,190	0.4621	0.4621	9,021	2007	
	Special Road and Bridge	1,951,450	0.3500	0.3500	**	**	**			A 2011
	Special Road and Bridge	**	**	**	1,952,190	0.3500	0.3500	6,833		
Gilman City Fire Protection Dist	General Revenue	4,028,860	0.0986	0.0986	4,127,265	0.0986	0.0986	4,069	2007	
	Road & Bridge	4,028,860	0.4526	0.4526	4,127,265	0.4526	0.4526	18,680		A 2011
	Special Road and Bridge	4,028,860	0.3452	0.3452	**	**	**			
New Hampton Fire Protection Dist	Special Road and Bridge	**	**	**	4,127,265	0.3500	0.3500	14,445	2007	
	General Revenue	6,873,615	0.2987	0.2987	7,021,184	0.3000	0.3000	21,064		A 2011
	Gilman City Fire Protection Dist	General Revenue	9,436,266	0.2971	0.2971	9,580,821	0.2971	0.2971			28,465
North Harrison Fire Protection Dist	General Revenue	9,113,678	0.2995	0.2995	9,255,355	0.2995	0.2995	27,720	2007	
	Fire	15,656,076	0.2959	0.2959	15,686,358	0.3000	0.3000	47,059		A 2011
	Cainsville Fire Protection District	General Revenue	6,843,923	0.3000	0.3000	7,044,139	0.3000	0.3000			21,132
Harrison County Health Department	General Revenue	**	**	**	94,014,020	0.1400	0.1400	131,620	2007	
	Operating Funds-Schools	5,000,510	6.3280	5.8000	E 5,118,635	6.2803	5.8000	296,881		E
	South Harrison Co R-II School Dist	Operating Funds-Schools	57,100,757	3.4357	3.4357	E 55,291,100	3.6113	3.6113			1,996,727

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Harrison</u>										
North Harrison Co R-III School Dist	Operating Funds-Schools	14,727,899	4.4761	4.4761	E	15,089,340	4.4127	4.4127	665,847	E
Gilman City R-IV School District	Operating Funds-Schools	8,826,744	4.9966	4.9945	E	9,287,212	4.9397	4.9397	458,760	E
Ridgeway R-V School District	Operating Funds-Schools	6,439,750	5.5000	4.9190		6,803,525	5.5000	4.8252	328,284	
Harrison County	General Revenue	91,795,908	0.3773	0.3773		94,014,020	0.3773	0.3773	354,715	
	Health	91,795,908	0.1400	0.1400		**	**	**		
	Senior Services	91,795,908	0.0500	0.0500	A	94,014,020	0.0500	0.0500	47,007	
<u>Henry</u>										
Windsor Ambulance District	General Revenue	41,574,548	0.2947	0.2947		41,746,268	0.2973	0.2973	124,112	
Bethlehem Spec Rd Dist #2 Henry Co	Road & Bridge	2,427,638	0.5857	0.5857		2,333,700	0.6100	0.6100	14,236	
Deerfield Creek SRD, Henry Co	Road & Bridge	4,483,148	0.7214	0.2000		4,651,689	0.7214	0.2000	9,303	
Fields Creek Sp Rd Dist #1 Henry Co	Road & Bridge	19,212,472	0.3217	0.3217		20,063,769	0.3217	0.3217	64,545	
Honey Creek Sp Rd Dist #1 Henry Co	Road & Bridge	2,254,734	0.3508	0.3508		2,056,646	0.3873	0.3873	7,965	
Montrose Spec Rd Dist Henry Co	Road & Bridge	3,315,485	0.3026	0.3026		3,268,456	0.3120	0.3120	10,198	
Mt Hope Spec Rd Dist Henry Co	Road & Bridge	1,121,590	0.4900	0.4900		1,136,525	0.4900	0.4900	5,569	
Osage Spec Rd Dist #1 Henry Co	Road & Bridge	5,153,716	0.3299	0.3299		5,194,468	0.3299	0.3299	17,137	
Shawnee Spec Rd Dist #1 Henry Co	Road & Bridge	4,242,406	0.4737	0.2500		4,210,455	0.4781	0.2581	10,867	
Wagner Spec Rd Dist Henry Co	Road & Bridge	605,603	0.4923	0.4923		619,960	0.5000	0.5000	3,100	
Windsor Spec Rd Dist Henry Co	Road & Bridge	28,998,453	0.2867	0.2867		28,986,383	0.2895	0.2895	83,916	
Clinton Country Club Spec Rd Dist	Special Road and Bridge	1,579,169	0.2756	0.2756		1,748,844	0.2756	0.2756	4,820	
City of Blairstown	General Revenue	580,332	1.0000	1.0000		560,540	1.0000	1.0000	5,605	
	Streets	580,332	0.5000	0.5000	A	560,540	0.5000	0.5000	2,803	2009
Village of Brownington	General Revenue	404,869	0.7453	0.6827		417,804	0.7531	0.7531	3,146	
City of Calhoun	General Revenue	1,858,883	0.6070	0.6070		1,862,535	0.6070	0.6070	11,306	
	Police	1,858,883	0.2500	0.2500		1,862,535	0.2500	0.2500	4,656	2008
	Fire	1,858,883	0.2000	0.2000		1,862,535	0.2000	0.2000	3,725	2008
City of Clinton	General Revenue	112,439,812	0.4993	0.4993		113,844,730	0.5015	0.5015	570,931	
	Parks & Recreation	112,439,812	0.1398	0.1398		113,844,730	0.1404	0.1404	159,838	
City of Deepwater	General Revenue	2,375,241	0.9340	0.9340		2,353,070	0.9428	0.9428	22,185	
	Lights	2,375,241	0.1365	0.1365		2,353,070	0.1378	0.1378	3,243	
	Cemetery	2,375,241	0.1000	0.1000		2,353,070	0.1000	0.1000	2,353	
City of Montrose	General Revenue	2,799,152	0.9743	0.9743		2,777,860	0.9953	0.9953	27,648	
	Debt Service	2,799,152	0.5534	0.5534		2,777,860	0.3327	0.3327	9,242	
City of Ulrich	General Revenue	3,009,247	0.9465	0.9465		3,044,701	0.9465	0.9465	28,818	
	Parks & Recreation	3,009,247	0.2921	0.2921		3,044,701	0.2921	0.2921	8,894	
City of Windsor	General Revenue	21,901,094	0.5866	0.5866		21,971,622	0.5905	0.5905	129,742	
	Library	21,901,094	0.1977	0.1977		21,971,622	0.0105	0.0000	0	
	Park	21,901,094	0.2287	0.2287		21,971,622	0.2302	0.2302	50,579	
	Pool	21,901,094	0.1177	0.1177		21,971,622	0.1185	0.1185	26,036	
	Recreation	21,901,094	0.0589	0.0589		21,971,622	0.0593	0.0593	13,029	
Henry County Library District	General Revenue	255,649,932	0.1955	0.1955		280,745,767	0.1956	0.1956	549,139	
Bear Creek Township of Henry Co	General Revenue	3,059,534	0.2000	0.2000		3,061,722	0.2000	0.2000	6,123	
	Road & Bridge	3,059,534	0.3500	0.3500		3,061,722	0.3500	0.3500	10,716	
	Special Road and Bridge	3,059,534	0.2600	0.2600		3,061,722	0.2600	0.2600	7,960	2009
Bethlehem Township of Henry County	General Revenue	10,407,172	0.1187	0.1187		10,430,341	0.1190	0.1187	12,381	
	Road & Bridge	7,599,086	0.2647	0.2647		7,730,424	0.2647	0.2647	20,462	
Bogard Township of Henry Co	General Revenue	8,208,832	0.1759	0.1700		8,186,761	0.1780	0.1700	13,917	
	Road & Bridge	8,208,832	0.3622	0.3600		8,186,761	0.3665	0.3600	29,472	
	Special Road and Bridge	8,208,832	0.2500	0.2500		8,186,761	0.2500	0.2500	20,467	2008
Clinton Township of Henry Co	General Revenue	99,137,890	0.1334	0.0500		100,516,647	0.1338	0.0500	50,258	
	Road & Bridge	99,137,890	0.2669	0.1000		100,516,647	0.2678	0.1000	100,517	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Henry</u>										
Davis Township of Henry Co	General Revenue	9,693,406	0.2000	0.0300		10,707,440	0.2000	0.0300	3,212	
	Road & Bridge	9,693,406	0.5000	0.5000		10,707,440	0.5000	0.5000	53,537	
Deepwater Township of Henry Co	General Revenue	6,621,219	0.1687	0.1687		6,638,500	0.1702	0.1702	11,299	
	Road & Bridge	1,579,581	0.3990	0.3990		1,614,519	0.3997	0.3997	6,453	
Deer Creek Township of Henry Co	General Revenue	6,641,397	0.1540	0.1540		6,901,249	0.1540	0.1540	10,628	
	Road & Bridge	4,338,601	0.4477	0.4477		4,410,040	0.4477	0.4477	19,744	
Fairview Township of Henry Co	General Revenue	6,725,361	0.1544	0.1400		6,700,360	0.1554	0.1554	10,412	
	Road & Bridge	6,725,361	0.3294	0.3100		6,700,360	0.3315	0.3315	22,212	
Fields Creek Township of Henry Co	General Revenue	34,242,082	0.1549	0.1549		35,240,642	0.1549	0.1549	54,588	
	Road & Bridge	11,650,657	0.3100	0.3100		11,634,187	0.3100	0.3100	36,066	
Honey Creek Township of Henry Co	General Revenue	3,526,759	0.1813	0.1500		3,319,926	0.1934	0.1500	4,980	
	Road & Bridge	1,272,025	0.5000	0.1000		1,263,280	0.5000	0.1500	1,895	
Leesville Township of Henry Co	General Revenue	14,650,329	0.1298	0.1298		14,830,011	0.1298	0.1298	19,249	
	Road & Bridge	14,650,329	0.2598	0.2598		14,830,011	0.2598	0.2598	38,528	
Osage Township of Henry Co	General Revenue	9,253,750	0.1308	0.1308		9,464,209	0.1308	0.1308	12,379	
	Road & Bridge	4,109,554	0.2817	0.2817		4,269,741	0.2817	0.2817	12,028	
Shawnee Township of Henry Co	General Revenue	7,226,652	0.1634	0.0500		7,173,449	0.1649	0.0500	3,587	
	Road & Bridge	2,984,246	0.4161	0.4161		2,962,994	0.4197	0.4197	12,436	
Springfield Township of Henry Co	General Revenue	3,561,939	0.2000	0.2000		3,738,656	0.2000	0.2000	7,477	
	Road & Bridge	3,561,939	0.5000	0.5000		3,738,656	0.5000	0.5000	18,693	
Tebo Township of Henry Co	General Revenue	7,798,970	0.1779	0.1779		7,827,101	0.1788	0.1788	13,995	
	Road & Bridge	7,798,970	0.3875	0.3875		7,827,101	0.3894	0.3894	30,479	
	Special Road and Bridge	7,798,970	0.1800	0.1800	A	7,827,101	0.1800	0.1800	14,089	2010
Walker Township of Henry Co	General Revenue	4,952,456	0.1945	0.1945		4,975,264	0.1966	0.1966	9,781	
	Road & Bridge	4,952,456	0.4863	0.4863		4,975,264	0.4916	0.4916	24,458	
White Oak Township of Henry Co	General Revenue	6,991,281	0.1871	0.1871		7,100,449	0.1872	0.1872	13,292	
	Road & Bridge	6,991,281	0.3947	0.3947		7,100,449	0.3950	0.3950	28,047	
Windsor Township of Henry Co	General Revenue	28,998,453	0.1432	0.1432		28,986,383	0.1446	0.1446	41,914	
Big Creek Township of Henry Co	General Revenue	4,914,331	0.1589	0.1589		4,914,130	0.1597	0.1597	7,848	
	Road & Bridge	4,914,331	0.2583	0.2583		4,914,130	0.2596	0.2596	12,757	
Tightwad Fire Protection District	General Revenue	14,655,147	0.2973	0.2000		14,842,556	0.2973	0.2000	29,685	
Henry County Health Center	General Revenue	**	**	**		280,745,767	0.0977	0.0977	274,289	
Henry County R-I School District	Operating Funds-Schools	39,935,999	3.3115	2.7500	F	40,590,124	3.2896	2.7500	1,116,228	F
	Debt Service	39,935,999	0.6848	0.5000	F	40,590,124	0.6805	0.5000	202,951	F
Shawnee R-III School District	Operating Funds-Schools	8,549,103	4.1922	4.1922	E	8,562,810	4.1933	4.1933	359,064	E
	Debt Service	8,549,103	0.7769	0.3078	E	8,562,810	0.3639	0.3067	26,262	E
Calhoun R-VIII School District	Operating Funds-Schools	8,764,545	4.0644	4.0000	E	9,027,506	4.1119	4.1119	371,202	E
Leesville R-IX School District	Operating Funds-Schools	13,728,403	3.4519	3.4519	E	14,196,205	3.4560	3.4560	490,621	E
Davis R-XII School District	Operating Funds-Schools	13,355,246	3.5600	3.5600	E	14,612,557	3.5600	3.5600	520,207	E
	Debt Service	**	**	**		14,612,557	0.2400	0.2000	29,225	E
Montrose R-XIV School District	Operating Funds-Schools	8,944,801	4.6088	4.6088	E	9,077,980	4.6333	4.6333	420,610	E
Clinton School District	Operating Funds-Schools	147,954,257	3.3891	3.3891	E	150,750,793	3.3897	3.3897	5,110,000	E
	Operating Funds-Temp	147,954,257	0.8500	0.8500	AE	150,750,793	0.8500	0.8500	1,281,382	E 2027
Henry County	General Revenue	276,626,663	0.2485	0.0372		280,745,767	0.2485	0.0402	112,860	
	Health	276,626,663	0.0977	0.0977		**	**	**		
	Senior Services	276,626,663	0.0005	0.0500	G	280,745,767	0.0005	0.0500	140,373	G
<u>Hickory</u>										
Village of Cross Timbers	General Revenue	769,816	0.4850	0.4850		775,563	0.4897	0.4897	3,798	
City of Hermitage	General Revenue	5,020,982	0.4623	0.4373		4,997,321	0.4667	0.4667	23,322	
City of Weaubleau	General Revenue	2,456,119	0.3550	0.3550		2,371,307	0.3677	0.3677	8,719	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Hickory</u>										
City of Wheatland	General Revenue	3,508,829	0.3237	0.3237		3,459,670	0.3304	0.3304	11,431	
Hickory County Library District	General Revenue	102,171,647	0.1264	0.1264		106,064,281	0.1264	0.1264	134,065	
Hickory County Health Department	General Revenue	**	**	**		106,064,281	0.1472	0.1472	156,127	
Hickory Co. R-I School District	Operating Funds-Schools	36,735,329	2.7506	2.7506	E	38,452,054	2.7831	2.7831	1,070,159	E
	Debt Service	36,735,329	1.0103	0.7975	E	38,452,054	1.5212	0.7649	294,120	E
Wheatland R-II School District	Operating Funds-Schools	30,343,236	2.8418	2.8418	E	32,227,282	2.8524	2.8524	919,251	E
	Debt Service	30,343,236	0.6933	0.5670	E	32,227,282	0.5133	0.5133	165,423	E
Weaubleau R-III School District	Operating Funds-Schools	20,138,294	2.7500	2.7500	E	20,753,698	2.7500	2.7500	570,727	E
	Debt Service	20,138,294	0.9940	0.8200	E	20,753,698	1.5105	0.8200	170,180	E
Hermitage R-IV School District	Operating Funds-Schools	36,756,425	2.7500	2.7500	E	37,831,356	2.7500	2.7500	1,040,362	E
	Debt Service	36,756,425	0.6544	0.4500	E	37,831,356	0.8504	0.5500	208,072	E
Hickory County	General Revenue	102,171,647	0.3068	0.1845		106,064,281	0.3068	0.1604	170,127	
	Road & Bridge	102,171,647	0.2346	0.2346		106,064,281	0.2346	0.2346	248,827	
	Health	102,171,647	0.1472	0.1472		**	**	**		
<u>Holt</u>										
Corning Special Road Dist Holt Co	Special Road and Bridge	2,437,158	0.3500	0.3500		2,448,273	0.3500	0.3500	8,569	2009
South Union Twsp Indpt Sp Rd Holt	Special Road and Bridge	2,065,069	0.3500	0.3500		2,110,134	0.3500	0.3500	7,385	2008
Village of Bigelow	General Revenue	309,944	0.7669	0.7669		314,408	0.7686	0.7686	2,417	
Village of Corning	General Revenue	161,269	0.4949	0.4900		162,778	0.4945	0.4945	805	
	Lights	161,269	0.2481	0.2400		162,778	0.2482	0.2400	391	
City of Craig	General Revenue	1,306,649	1.0000	1.0000		1,294,045	1.0000	1.0000	12,940	
	Motor Fuel	1,306,649	0.3999	0.3999		1,294,045	0.4000	0.4000	5,176	
	Debt Service	1,306,649	1.7354	1.7354		1,294,045	0.8811	0.8811	11,402	
City of Forest City	General Revenue	2,208,763	0.9369	0.9369		2,513,105	0.9489	0.9489	23,847	
	Debt Service	2,208,763	0.2736	0.2736		2,513,105	0.2265	0.2265	5,692	
Village of Fortescue	General Revenue	274,914	0.6999	0.0000		309,116	0.6997	0.6997	2,163	
City of Maitland	General Revenue	1,894,577	0.9457	0.9457		1,881,522	0.9566	0.9566	17,999	
	Lights	1,894,577	0.3488	0.3488		1,881,522	0.3500	0.3500	6,585	
	Health	1,894,577	0.1494	0.1494		1,881,522	0.1500	0.1500	2,822	
	General Revenue-Temp	1,894,577	0.2400	0.2400		1,881,522	0.2400	0.2400	4,516	2008
City of Mound City	General Revenue	10,337,835	0.7202	0.7202		10,522,749	0.7218	0.7218	75,953	
	Parks & Recreation	10,337,835	0.2572	0.2572		10,522,749	0.2578	0.2578	27,128	
	Library	10,337,835	0.4080	0.4080		10,522,749	0.4080	0.4080	42,933	
	Health	10,337,835	0.1544	0.1544		10,522,749	0.1547	0.1547	16,279	
	Street Lights	10,337,835	0.2991	0.1000		10,522,749	0.2998	0.1000	10,523	2008
City of Oregon	General Revenue	6,343,224	0.9285	0.9285		6,605,231	0.9285	0.9285	61,330	
	Library	6,343,224	0.2395	0.2395		6,605,231	0.2395	0.2395	15,820	
	Health	6,343,224	0.1696	0.1696		6,605,231	0.1696	0.1696	11,202	
	Debt Service	6,343,224	0.8518	0.8518		6,605,231	0.7252	0.7252	47,901	
Village of Big Lake	General Revenue	4,649,232	0.2269	0.2269		4,754,277	0.2344	0.2344	11,144	
	Health	4,649,232	0.1008	0.1008		4,754,277	0.1041	0.1041	4,949	
	General Revenue-Temp	4,649,232	0.2492	0.2492		**	**	**		2007
Mound City Rural Fire Prot Dist	General Revenue	27,778,469	0.2243	0.2243		28,459,133	0.2256	0.2256	64,204	
Southern Fire Protection District	General Revenue	29,025,336	0.2329	0.2329		29,975,605	0.2301	0.2301	68,974	
Northwest Holt Co Fire Prot Dist	General Revenue	9,329,437	0.4775	0.4775		9,655,417	0.4775	0.4775	46,105	
Maitland Volunteer Fire Prot Dist	General Revenue	5,262,985	0.3000	0.3000		4,853,883	0.3000	0.3000	14,562	
Craig R-III School District	Operating Funds-Schools	14,426,827	4.8775	4.8775	E	14,937,670	4.9030	4.9030	732,394	E
Mound City R-2 School District	Operating Funds-Schools	23,650,670	4.0034	4.0034	E	24,288,028	3.8406	3.8406	932,806	E
South Holt Co R-I School District	Operating Funds-Schools	25,063,070	3.9368	3.9368	BE	25,853,447	3.9368	3.9368	1,017,799	E
Holt County	General Revenue	83,835,203	0.4357	0.3365		85,736,848	0.4357	0.3237	277,530	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Holt</u>									
Holt County	Johnson Grass	83,835,203	0.0500	0.0200	85,736,848	0.0500	0.0400	34,295	
	Road & Bridge	83,835,203	0.4357	0.4357	85,736,848	0.4357	0.4357	373,555	
	Senior Services	83,835,203	0.0500	0.0500	85,736,848	0.0500	0.0500	42,868	
<u>Howard</u>									
Howard County Ambulance District	General Revenue	104,721,031	0.2866	0.2866	104,515,251	0.2953	0.2953	308,634	
Moniteau Creek Watershed Sub Dist	General Revenue	10,836,680	0.3362	0.3362	13,513,567	0.3200	0.3200	43,243	
Armstrong Spec Rd Dist Howard Co	General Revenue	7,316,100	0.3500	0.3500	7,683,511	0.3500	0.3500	26,892	2008
Glasgow Spec Rd Dist #60 Howard Co	General Revenue	18,619,854	0.2283	0.2283	18,864,058	0.2300	0.2300	43,387	2008
City of Armstrong	General Revenue	1,523,320	0.9949	0.9949	1,480,653	1.0000	1.0000	14,807	
City of Fayette	General Revenue	16,003,403	0.5395	0.5395	16,138,866	0.5484	0.5484	88,506	
City of Franklin	General Revenue	513,376	0.9339	0.9339	424,804	1.0000	1.0000	4,248	
City of New Franklin	General Revenue	6,908,119	0.6123	0.6123	6,940,947	0.6137	0.6123	42,499	
City of Glasgow	General Revenue	10,487,593	0.5161	0.5161	10,489,981	0.5238	0.5238	54,947	
	Parks & Recreation	10,487,593	0.2427	0.2427	10,489,981	0.2463	0.2463	25,837	
	Library	10,487,593	0.2460	0.2460	10,489,981	0.2497	0.2497	26,193	
Howard County Library	General Revenue	94,703,462	0.0989	0.0989	94,493,218	0.1000	0.1000	94,493	
Howard Co Fire Protection District	General Revenue	59,902,395	0.2914	0.2914	59,540,154	0.2939	0.2939	174,989	
	Debt Service	59,902,395	0.1466	0.1466	59,540,154	0.2765	0.1545	91,990	
Armstrong Fire Protection District	General Revenue	13,323,219	0.3000	0.3000	13,214,232	0.3000	0.3000	39,643	
Glasgow Fire Protection District	General Revenue	26,134,340	0.2884	0.2884	26,075,364	0.2936	0.2936	76,557	
New Franklin R-I School District	Operating Funds-Schools	23,126,110	3.3352	3.3352	E 23,248,757	3.3692	3.3692	783,297	E
	Debt Service	23,126,110	0.5230	0.5230	E 23,248,757	0.7655	0.5230	121,591	E
Fayette R-III School District	Operating Funds-Schools	44,048,779	3.4022	3.4022	E 44,679,074	3.4393	3.4393	1,536,647	E
	Debt Service	44,048,779	1.0319	0.7379	E 44,679,074	1.1982	0.7008	313,111	E
Howard Co R-II School District	Operating Funds-Schools	21,530,100	3.9994	3.6419	F 21,787,458	3.9945	3.6245	789,686	F
Howard County	General Revenue	104,721,031	0.3953	0.2507	104,515,251	0.4021	0.2594	271,113	
	Road & Bridge	84,065,675	0.2692	0.2692	77,965,563	0.2900	0.2900	226,100	
	Senate Bill 40	104,721,031	0.0988	0.0988	104,515,251	0.1000	0.1000	104,515	
<u>Howell</u>									
South Howell Co Ambulance District	General Revenue	276,927,153	0.1856	0.1856	284,745,517	0.1876	0.1876	534,183	
Willow Springs Ambulance District	General Revenue	65,575,786	0.2602	0.2100	67,584,481	0.2607	0.1900	128,411	
Mountain-View Summersville Amb Dis	General Revenue	70,212,724	0.1730	0.1730	67,331,991	0.1819	0.1730	116,484	
City of Mountain View	General Revenue	23,444,882	0.5577	0.0000	21,196,846	0.6221	0.0000	0	
	Library	23,444,882	0.1393	0.0000	21,196,846	0.1554	0.0000	0	
City of West Plains	General Revenue	126,545,523	0.2744	0.2700	133,189,997	0.2788	0.2700	359,613	
	Library	126,545,523	0.2237	0.2235	133,189,997	0.2273	0.2273	302,741	
City of Willow Springs	General Revenue	17,593,524	0.4588	0.4588	17,283,858	0.4691	0.4691	81,079	
	Library	17,593,524	0.1465	0.1465	17,283,858	0.1498	0.1498	25,891	
Howell County Rural Fire Dist #1	General Revenue	87,055,065	0.2476	0.2476	87,210,222	0.2502	0.2502	218,200	
Pomona Fire Protection District	General Revenue	20,661,738	0.2676	0.2676	21,823,568	0.2679	0.2679	58,465	
Brandsville Fire Protection Dist	General Revenue	**	**	**	7,233,648	0.3000	0.3000	21,701	A
Howell County Health Department	General Revenue	**	**	**	389,008,283	0.0985	0.0950	369,558	
Howell Valley R-I School District	Operating Funds-Schools	21,514,130	3.9651	3.8600	BE 20,890,370	4.0835	3.9600	827,259	E
Mountain View-Birch Tree R-III SD	Operating Funds-Schools	61,783,495	2.7500	2.7500	F 59,733,843	2.7500	2.7500	1,642,681	F
Willow Springs R-IV School District	Operating Funds-Schools	60,309,837	2.7500	2.7500	E 62,188,782	2.7500	2.7500	1,710,192	E
Richards R-V School District	Operating Funds-Schools	33,320,520	2.7500	2.7500	F 34,453,340	2.7500	2.7500	947,467	F
West Plains R-VII School District	Operating Funds-Schools	132,086,380	3.4093	3.3977	E 137,744,010	3.4414	3.4414	4,740,322	E
Glenwood R-VIII School District	Operating Funds-Schools	21,518,480	2.9465	2.9465	E 22,267,140	2.9700	2.9700	661,334	E
Junction Hill C-12 School District	Operating Funds-Schools	15,316,380	2.7943	2.7943	E 15,476,570	2.8027	2.8027	433,762	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Howell</u>										
Fairview R-XI School District	Operating Funds-Schools	38,262,610	3.2146	3.0000	E	42,103,730	3.1764	3.1700	1,334,688	E
Howell County	General Revenue	383,514,050	0.2445	0.0000		391,833,843	0.2461	0.0000	0	
	Road & Bridge	383,514,050	0.1859	0.0800		391,833,843	0.1871	0.0800	313,467	
	Health	381,943,530	0.0975	0.0950		**	**	**		
	Senate Bill 40	381,943,530	0.0884	0.0500		389,008,283	0.0893	0.0500	194,504	
<u>Iron</u>										
Iron County Ambulance District	General Revenue	171,120,539	0.1408	0.0000		171,934,746	0.1409	0.0000	0	
Road District #1	Road & Bridge	171,120,539	0.2833	0.2833		171,934,746	0.2836	0.2836	487,607	
City of Annapolis	General Revenue	9,885,460	0.5500	0.5500		9,104,976	0.5500	0.5500	50,077	
City of Arcadia	General Revenue	4,698,983	0.4791	0.4791		4,785,007	0.4791	0.4791	22,925	
Village of Des Arc	General Revenue	699,932	0.3641	0.3641		688,792	0.3737	0.3737	2,574	
City of Ironton	General Revenue	12,890,391	0.5337	0.5337		13,068,311	0.5337	0.5337	69,746	
	Parks & Recreation	12,890,391	0.1526	0.1526		13,068,311	0.1526	0.1526	19,942	
City of Pilot Knob	General Revenue	5,864,732	0.3811	0.3811		5,971,330	0.3811	0.3811	22,757	
City of Viburnum	General Revenue	8,187,665	1.0000	1.0000		8,232,952	1.0000	1.0000	82,330	
	Parks & Recreation	8,187,665	0.2300	0.2300		8,232,952	0.2300	0.2300	18,936	
	Solid Waste Landfill	8,187,665	0.1000	0.1000		8,232,952	0.1000	0.1000	8,233	
	Health	8,187,665	0.2000	0.2000		8,232,952	0.2000	0.2000	16,466	
Iron County Library District	General Revenue	171,120,539	0.0939	0.0939		171,934,746	0.0940	0.0940	161,619	
Quad County Fire Protection Dist	General Revenue	85,584,993	0.3169	0.3169		86,353,275	0.3179	0.3179	274,517	
Southern Iron County Fire Prot Dist	General Revenue	28,860,719	0.2500	0.2500		28,191,918	0.2500	0.2500	70,480	
Pilot Knob Fire Protection District	General Revenue	44,127,688	0.3000	0.3000		45,211,062	0.2987	0.2987	135,045	
Iron County Health Department	General Revenue	**	**	**		171,934,746	0.0940	0.0940	161,619	
South Iron Co R-I School District	Operating Funds-Schools	29,050,295	3.2000	3.2000	E	28,101,512	3.2000	3.2000	899,248	E
Arcadia Valley R-II School District	Operating Funds-Schools	42,495,626	2.7500	2.7500	F	43,324,807	2.7500	2.7500	1,191,432	F
	Debt Service	42,495,626	1.0763	0.4800	F	43,324,807	0.6913	0.4800	207,959	F
Bellevue R-III School District	Operating Funds-Schools	8,880,300	2.7500	2.7500	E	8,863,980	2.7500	2.7500	243,759	E
Iron Co C-4 School District	Operating Funds-Schools	82,145,456	2.7500	2.7500	E	82,527,279	2.7500	2.7500	2,269,500	E
Iron County	General Revenue	171,120,539	0.3987	0.2960		171,934,746	0.3991	0.2968	510,302	
	Health	171,120,539	0.0939	0.0939		**	**	**		
	Senate Bill 40	171,120,539	0.0939	0.0939		171,934,746	0.0940	0.0940	161,619	
<u>Jackson</u>										
Public Water Sup Dist 17 Jackson Co	General Revenue	76,836,002	0.0535	0.0535		78,951,160	0.0539	0.0539	42,555	
City of Blue Springs	General Revenue	744,248,275	0.5471	0.5471		756,158,001	0.5489	0.5489	4,150,551	
	Debt Service	744,248,275	0.1546	0.1500		756,158,001	0.1689	0.1500	1,134,237	
City of Buckner	General Revenue	25,129,509	0.5556	0.5556		25,540,666	0.5556	0.5556	141,904	
City of Grain Valley	General Revenue	156,260,396	0.5776	0.5776		166,662,541	0.5776	0.5476	912,644	
	Parks & Recreation	156,260,396	0.1207	0.1207		166,662,541	0.1207	0.1207	201,162	
	Health	156,260,396	0.1380	0.0500		166,662,541	0.1380	0.0500	83,331	
	Debt Service	156,260,396	1.1290	0.9483		166,662,541	2.1399	0.9483	1,580,461	
City of Grandview	General Revenue	281,171,508	0.9609	0.9560		280,288,266	0.9702	0.9702	2,719,357	
	Parks & Recreation	281,171,508	0.1153	0.1140		280,288,266	0.1164	0.1164	326,256	
	Debt Service	281,171,508	0.3800	0.3800		280,288,266	0.5223	0.3800	1,065,095	
City of Greenwood	General Revenue	64,170,245	0.4345	0.4238		65,526,321	0.4338	0.4338	284,253	
	GR-Fire Temp	64,170,245	0.5897	0.5752		**	**	**		2007
	GR-Hydrant Temp	64,170,245	0.0188	0.0183		**	**	**		2007
	GR-Fire Temp	**	**	**		65,526,321	0.7200	0.5887	385,753	A 2011
	GR-Hydrant Temp	**	**	**		65,526,321	0.0200	0.0188	12,319	A 2011
City of Independence	General Revenue	1,121,899,777	0.4421	0.4421		1,121,360,192	0.4463	0.4463	5,004,631	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
Jackson									
City of Independence	Indep. Sq. Spec. Benefit	5,475,220	0.4422	0.4422	5,232,949	0.4627	0.4627	24,213	2013
	Public Health-Recreation	1,121,899,777	0.2082	0.2082	1,121,360,192	0.2102	0.2102	2,357,099	
City of Kansas City	General Revenue	7,283,914,645	0.6320	0.6320	7,387,564,008	0.6342	0.6342	46,851,931	
	Museum	7,283,914,645	0.0184	0.0184	7,387,564,008	0.0185	0.0185	1,366,699	
	Health	7,283,914,645	0.4597	0.4597	7,387,564,008	0.4613	0.4613	34,078,833	
	Health-Temp	7,283,914,645	0.2131	0.2131	7,387,564,008	0.2138	0.2138	15,794,612	
	Debt Service	7,283,914,645	0.4124	0.1400	7,387,564,008	0.5482	0.1400	10,342,590	
City of Lake Lotawana	General Revenue	88,999,280	0.2303	0.2303	67,681,214	0.2443	0.2374	160,675	
City of Lake Tapawingo	General Revenue	16,332,997	0.3229	0.3222	16,240,535	0.3266	0.3266	53,042	
	Debt Service	16,332,997	1.0480	1.0458	16,240,535	1.0928	1.0928	177,477	
City of Levasy	General Revenue	921,167	0.9794	0.7815	918,211	0.9826	0.7815	7,176	
City of Lone Jack	General Revenue	14,909,348	0.7051	0.7051	16,357,680	0.7223	0.7157	117,072	
	Debt Service	14,909,348	0.2493	0.2493	16,357,680	0.2072	0.2072	33,893	
City of Oak Grove	General Revenue	89,626,842	0.5996	0.5996	89,919,129	0.6043	0.6043	543,381	
	Debt Service	89,626,842	0.2266	0.2266	89,919,129	0.1985	0.1985	178,489	
City of Raytown	General Revenue	345,696,152	0.3154	0.3153	342,850,280	0.3189	0.3189	1,093,350	
	Parks & Recreation	345,696,152	0.1576	0.1576	342,850,280	0.1593	0.1593	546,160	
Village of Sibley	General Revenue	3,239,218	0.3845	0.3845	3,210,346	0.3883	0.3883	12,466	
City of Sugar Creek	General Revenue	50,917,345	0.9413	0.9413	49,518,718	0.9701	0.9701	480,381	
	Health	50,917,345	0.1272	0.1272	49,518,718	0.1300	0.1300	64,374	
City of Lee's Summit	General Revenue	1,649,887,084	0.8690	0.8690	1,671,089,311	0.8737	0.8690	14,521,766	
	Parks & Recreation	1,649,887,084	0.1539	0.1539	1,671,089,311	0.1547	0.1539	2,571,806	
	Debt Service	1,649,887,084	0.4697	0.4697	1,671,089,311	0.5476	0.4697	7,849,106	
Village of River Bend	General Revenue	1,819,893	0.2325	0.2325	1,717,536	0.2302	0.2302	3,954	
	General Revenue-Temp	1,819,893	0.4305	0.4305	1,717,536	0.4262	0.4262	7,320	
Mid Continent Public Library	General Revenue	11,737,811,400	0.3212	0.3212	12,090,144,509	0.3214	0.3214	38,857,724	
Kansas City Public Library	General Revenue	3,310,010,957	0.4493	0.4493	3,254,405,266	0.4602	0.4731	15,396,591	
Central Jackson Co Fire Prot Dist	General Revenue	963,664,069	0.9948	0.9948	984,177,071	0.9976	0.9976	9,818,150	
	Dispatch	963,664,069	0.0181	0.0181	984,177,071	0.0182	0.0182	179,120	
	Debt Service	963,664,069	0.1117	0.0900	984,177,071	0.1139	0.0900	885,759	
Lone Jack Community Fire Prot Dist	General Revenue	63,956,786	0.5549	0.5549	69,913,237	0.8049	0.7945	555,461	
	Ambulance	63,956,786	0.2944	0.2944	69,913,237	0.2889	0.2889	201,979	
Prairie Township Fire Prot Dist	General Revenue	120,437,933	0.6762	0.6762	117,565,396	0.7205	0.7205	847,059	
	Ambulance	120,437,933	0.2759	0.2759	117,565,396	0.2941	0.2941	345,760	
Raytown Fire Protection District	General Revenue	345,880,488	0.7800	0.7800	343,286,495	0.7800	0.7800	2,677,635	
	Pension	345,880,488	0.0457	0.0457	343,286,495	0.0462	0.0462	158,598	
	Debt Service	345,880,488	0.1594	0.1594	343,286,495	0.1805	0.1600	549,258	
Lotawana Fire Protection District	General Revenue	78,498,908	0.4776	0.4776	80,723,421	0.4857	0.4857	392,074	
	Ambulance	78,498,908	0.2267	0.2267	80,723,421	0.2306	0.2306	186,148	
Fort Osage Fire Protection District	General Revenue	162,158,867	0.7984	0.7984	170,039,521	0.7984	0.7984	1,357,596	
	Ambulance	162,158,867	0.4488	0.4488	170,039,521	0.4488	0.4488	763,137	
	Dispatch	162,158,867	0.0275	0.0275	170,039,521	0.0275	0.0275	46,761	
	Debt Service	162,158,867	0.4719	0.2200	170,039,521	0.2499	0.2200	374,087	
Inter City Fire Protection District	General Revenue	9,712,121	0.6131	0.6131	9,714,400	0.6151	0.6151	59,753	
	Debt Service	9,712,121	0.3696	0.3696	9,714,400	0.3696	0.3696	35,904	
Jackson County Health Department	General Revenue	**	**	**	9,854,671,047	0.2847	0.1560	15,373,287	
Metropolitan Community College Dist	General Revenue	13,187,605,428	0.2132	0.2132	13,328,330,495	0.2143	0.2143	28,562,612	
Fort Osage R-I School District	Operating Funds-Schools	274,097,889	4.1376	4.1376	E 281,456,270	4.1227	4.1227	11,603,598	
	Debt Service	274,097,889	0.7740	0.7740	E 281,456,270	0.7869	0.7869	2,214,779	
Blue Springs R-IV School District	Operating Funds-Schools	1,278,481,960	4.9280	4.4019	1,303,136,214	4.9468	4.5433	59,205,388	
	Debt Service	1,278,481,960	1.7363	0.9874	1,303,136,214	1.6524	0.9874	12,867,167	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Jackson</u>										
Grain Valley R-V School District	Operating Funds-Schools	239,700,526	3.6727	3.6727	E	254,039,370	3.6486	3.6486	9,268,880	E
	Debt Service	239,700,526	1.6455	1.3192	E	254,039,370	2.2219	1.3433	3,412,511	E
Oak Grove R-VI School District	Operating Funds-Schools	129,245,090	3.4395	3.2829	E	130,051,628	3.4246	3.4246	4,453,748	E
	Debt Service	129,245,090	1.4330	1.1500	E	130,051,628	1.3433	1.0083	1,311,311	E
Lee's Summit R-VII School District	Operating Funds-Schools	1,655,845,450	4.9306	4.7416	F	1,676,129,580	4.9422	4.7659	79,882,660	F
	Debt Service	1,655,845,450	1.7902	1.0700	F	1,676,129,580	1.6124	1.0700	17,934,587	F
Hickman Mills C-1 School District	Operating Funds-Schools	437,057,020	4.8600	4.8600	E	432,994,976	5.4717	5.4600	23,641,526	BE
	Debt Service	437,057,020	0.6988	0.6800	E	432,994,976	1.1232	0.6800	2,944,366	E
Raytown C-2 School District	Operating Funds-Schools	693,296,583	3.6788	3.6788	E	695,553,258	4.5688	4.5688	31,778,437	BE
	Debt Service	693,296,583	1.2477	0.9636	E	695,553,258	1.3068	0.9636	6,702,351	E
Grandview C-4 School District	Operating Funds-Schools	450,020,135	5.0188	4.9500	E	452,239,053	5.0132	5.0132	22,671,648	E
	Debt Service	450,020,135	0.7233	0.5000	E	452,239,053	0.9975	0.6000	2,713,434	E
Lone Jack C-6 School District	Operating Funds-Schools	47,076,252	3.2196	3.2196	E	49,705,427	3.2061	3.2061	1,593,606	E
	Debt Service	47,076,252	2.3575	1.3875	E	49,705,427	2.0753	1.3875	689,663	E
Independence 30 School District	Operating Funds-Schools	813,109,913	4.3180	4.3180	E	1,019,098,857	4.3347	4.3347	44,174,878	E
	Debt Service	813,109,913	0.9297	0.7661	E	1,019,098,857	0.9658	0.7494	7,637,127	E
Kansas City 33 School District	Operating Funds-Schools	3,200,085,126	2.7500	2.3419	H	2,959,242,023	2.9915	2.6021	77,002,437	H
	Article X, Section 11g	3,200,085,126	2.6081	2.6081	A	**	**	**		2007
	Article X, Section 11g	**	**	**		2,959,242,023	2.3479	2.3479	69,480,043	A 2008
Center 58 School District	Operating Funds-Schools	426,415,213	4.9551	4.9551	BE	424,276,522	4.9551	4.9551	21,023,326	E
	Debt Service	426,415,213	1.0103	0.8600	E	424,276,522	0.8727	0.8600	3,648,778	E
Jackson County	General Revenue	9,833,611,688	0.2642	0.1535		9,854,671,047	0.2663	0.1534	15,117,065	
	Parks & Recreation	9,833,611,688	0.1454	0.0890		9,854,671,047	0.1466	0.0920	9,066,297	
	Road & Bridge	9,833,611,688	0.2642	0.1380		9,854,671,047	0.2663	0.1416	13,954,214	
	Health	9,833,611,688	0.2824	0.1550		**	**	**		
	Developmentally Disabled	9,833,611,688	0.0909	0.0748		9,854,671,047	0.0916	0.0748	7,371,294	
	Mental Health	9,833,611,688	0.1208	0.1208		9,854,671,047	0.1218	0.1218	12,002,989	
<u>Jasper</u>										
Carl Junction Sp Rd Dist Jasper Co	Road & Bridge	58,805,105	0.2901	0.2901		58,441,344	0.2967	0.2967	173,395	
Carthage Sp Rd Dist Jasper Co	Road & Bridge	309,377,452	0.2234	0.2200		296,446,651	0.2355	0.2355	698,132	
La Russell Spec Rd Dist Jasper Co	Road & Bridge	7,738,960	0.3338	0.3100		7,149,537	0.3500	0.3500	25,023	
Sarcoxie Spec Rd Dist Jasper Co	Road & Bridge	25,862,827	0.2312	0.2312		26,073,902	0.2339	0.2339	60,987	
Webb City Spec Rd Dist Jasper Co	Road & Bridge	119,772,895	0.1854	0.1854		117,901,554	0.1910	0.1910	225,192	
Joplin Road Dist Newton & Jasper Co	Road & Bridge	1,100,666,493	0.1935	0.1935		1,114,715,627	0.1959	0.1959	2,183,728	
City of Alba	General Revenue	3,749,772	0.5789	0.5789		3,600,931	0.6068	0.6068	21,850	
	Parks & Recreation	3,749,772	0.1527	0.1527		3,600,931	0.1601	0.1601	5,765	
City of Asbury	General Revenue	4,300,271	0.5717	0.5717		5,248,985	0.5849	0.5849	30,701	
Village of Avilla	General Revenue	919,298	0.2000	0.2000		828,718	0.2000	0.2000	1,657	
City of Carl Junction	General Revenue	74,652,329	0.4573	0.4573		75,349,077	0.4645	0.4573	344,571	
	Debt Service	74,652,329	0.2327	0.2327		75,349,077	0.2321	0.2321	174,885	
City of Cartersville	General Revenue	11,990,329	0.4766	0.4759		9,371,878	0.6146	0.4882	45,754	
City of Carthage	General Revenue	169,961,918	0.3486	0.3486		109,957,836	0.5436	0.3523	387,381	
	Parks & Recreation	169,961,918	0.1504	0.1504		109,957,836	0.2345	0.1520	167,136	
	Library	169,961,918	0.1742	0.1742		109,957,836	0.2600	0.1760	193,526	
	Health	169,961,918	0.0793	0.0793		109,957,836	0.1237	0.0801	88,076	
City of Duenweg	General Revenue	12,694,416	0.6448	0.6448		7,375,255	0.7500	0.7500	55,314	
City of Jasper	General Revenue	7,223,113	0.6974	0.6974		7,132,410	0.7063	0.7002	49,941	
City of La Russell	General Revenue	788,195	0.2287	0.2000		725,600	0.2492	0.2492	1,808	
City of Neck City	General Revenue	1,030,564	0.2209	0.2209		966,200	0.2357	0.2357	2,277	
City of Oronogo	General Revenue	19,077,350	0.2546	0.2545		19,262,710	0.2615	0.2615	50,372	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Jasper</u>									
City of Oronogo	Streets	19,077,350	0.1215	0.1215	19,262,710	0.1248	0.1248	24,040	
City of Purcell	General Revenue	2,132,065	0.3117	0.3117	2,088,554	0.3207	0.3207	6,698	
Village of Reeds	General Revenue	741,032	0.1879	0.1800	650,301	0.2149	0.1800	1,171	
City of Sarcoxie	General Revenue	9,295,541	0.5451	0.5451	9,501,737	0.5500	0.5500	52,260	
	Parks & Recreation	9,295,541	0.1042	0.1042	9,501,737	0.1051	0.1051	9,986	
	Health	9,295,541	0.1283	0.0000	9,501,737	0.1295	0.0000	0	
City of Waco	General Revenue	682,739	0.2072	0.2072	571,052	0.2488	0.2488	1,421	
City of Webb City	General Revenue	109,299,843	0.3596	0.3596	85,446,274	0.3754	0.3906	333,753	C
	Parks & Recreation	109,299,843	0.0815	0.0815	85,446,274	0.0851	0.0886	75,705	C
	Library	109,299,843	0.2421	0.2421	85,446,274	0.2528	0.2631	224,809	C
City of Joplin	Parks & Recreation	549,443,459	0.0471	0.0471	548,511,306	0.0479	0.0471	258,349	
	Library	521,419,299	0.2347	0.2347	495,551,534	0.2501	0.2387	1,182,882	
	Health	549,443,459	0.0471	0.0471	548,511,306	0.0479	0.0471	258,349	
	Garbage	549,443,459	0.0471	0.0471	548,511,306	0.0479	0.0471	258,349	
Carthage Fire Protection District	General Revenue	137,621,281	0.2536	0.2500	131,326,675	0.2729	0.2700	354,582	
Duenweg Fire Protection District	General Revenue	84,881,371	0.2728	0.2728	81,250,219	0.2888	0.2888	234,651	
Carl Junction Fire Protection Dist	General Revenue	204,086,390	0.2325	0.2325	202,054,717	0.2378	0.2378	480,486	
Oronogo Fire Protection District	General Revenue	40,074,627	0.2575	0.2575	41,189,381	0.2604	0.2604	107,257	
Central Jasper Co Fire Prot Dist	General Revenue	25,202,631	0.2773	0.2773	25,123,471	0.2828	0.2828	71,049	
Tri-Cities Fire Protection District	Fire	26,393,108	0.3179	0.3079	25,360,223	0.3179	0.3179	80,620	
Asbury Fire Protection District	General Revenue	19,569,474	0.2484	0.2484	26,004,359	0.2521	0.2521	65,557	
Carl Junction R-I School District	Operating Funds-Schools	223,661,825	2.7500	2.7500	E 229,211,920	2.7500	2.7500	6,303,328	E
	Debt Service	223,661,825	1.3904	0.8200	E 229,211,920	1.3603	0.8200	1,879,538	E
Avilla R-XIII School District	Operating Funds-Schools	17,755,010	3.3097	3.3097	E 16,834,300	3.5800	3.5800	602,668	BE
Jasper County R-V School District	Operating Funds-Schools	34,925,630	3.2680	3.2100	F 34,006,540	3.4129	3.2100	1,091,610	F
Sarcoxie R-II School District	Operating Funds-Schools	33,234,961	2.7500	2.7500	F 32,975,983	2.7500	2.7500	906,840	F
	Debt Service	33,234,961	0.7058	0.5500	F 32,975,983	0.5853	0.5500	181,368	F
Carthage R-IX School District	Operating Funds-Schools	293,541,962	2.6464	2.6464	E 280,899,450	2.7941	2.7500	7,724,735	F
	Operating Funds-Temp	293,541,962	0.6473	0.1036	E **	**	**		2007
	Debt Service	293,541,962	2.0856	0.8300	E 280,899,450	2.2882	0.8300	2,331,465	F
Webb City R-VII School District	Operating Funds-Schools	204,647,320	2.7500	2.7500	E 202,831,660	2.7500	2.7500	5,577,871	E
	Debt Service	204,647,320	1.0037	0.6800	E 202,831,660	0.9069	0.6800	1,379,255	E
Joplin R-VIII School District	Operating Funds-Schools	866,151,031	2.7500	2.7500	E 875,454,513	2.7500	2.7500	24,074,999	E
	Debt Service	866,151,031	1.0792	0.5600	E 875,454,513	1.0251	0.5600	4,902,545	E
Jasper County	General Revenue	1,549,385,382	0.2732	0.0832	1,529,097,883	0.2810	0.0795	1,215,633	
	Common Road District	206,584,219	0.1977	0.1977	206,091,106	0.2041	0.2041	420,632	
	Mental Health	1,549,385,382	0.0745	0.0745	1,529,097,883	0.0766	0.0766	1,171,289	
	Senate Bill 40	1,549,385,382	0.0745	0.0745	1,529,097,883	0.0766	0.0766	1,171,289	
<u>Jefferson</u>									
Big River Ambulance District	General Revenue	268,065,119	0.3967	0.3967	272,669,519	0.3967	0.3967	1,081,680	
Joachim-Plattin Ambulance District	General Revenue	728,303,846	0.3129	0.3129	754,007,097	0.3129	0.3129	2,359,288	
No Jefferson Co Ambulance District	General Revenue	319,715,420	0.4947	0.4947	329,143,068	0.4947	0.4947	1,628,271	
	Pension	319,715,420	0.0480	0.0480	329,143,068	0.0480	0.0480	157,989	
Valle Ambulance District	General Revenue	347,670,696	0.4382	0.4382	356,095,648	0.4382	0.4382	1,560,411	
Rock Township Ambulance District	General Revenue	1,060,020,664	0.2091	0.1249	1,086,476,422	0.2091	0.1228	1,334,193	
Festus Spec Rd Dist Jefferson Co	Road & Bridge	434,560,171	0.1747	0.1747	449,426,722	0.1747	0.1747	785,148	
Hillsboro Spec Rd Dist Jefferson Co	Road & Bridge	25,788,744	0.1709	0.1709	27,294,193	0.1709	0.1709	46,646	
City of Arnold	General Revenue	328,714,545	0.4246	0.4246	340,823,830	0.4246	0.4246	1,447,138	
Village of Cedar Hill Lakes	General Revenue	2,059,028	0.4515	0.4515	2,003,564	0.4640	0.4640	9,297	
City of Crystal City	General Revenue	74,485,286	0.4891	0.4891	75,002,212	0.4916	0.4916	368,711	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Jefferson</u>									
City of Crystal City	Parks & Recreation	74,485,286	0.1291	0.1291	75,002,212	0.1298	0.1298	97,353	
	Library	74,485,286	0.1291	0.1291	75,002,212	0.1298	0.1298	97,353	
City of De Soto	General Revenue	63,553,180	0.4274	0.4274	64,592,810	0.4278	0.4278	276,328	
	Parks & Recreation	63,553,180	0.1090	0.1090	64,592,810	0.1091	0.1091	70,471	
	Library	63,553,180	0.1819	0.1819	64,592,810	0.1821	0.1821	117,624	
City of Festus	General Revenue	149,231,820	0.3755	0.1548	154,981,140	0.3755	0.1548	239,911	
	Parks & Recreation	149,231,820	0.1074	0.1074	154,981,140	0.1074	0.1074	166,450	
	Library	149,231,820	0.1074	0.1074	154,981,140	0.1074	0.1074	166,450	
	Health	149,231,820	0.0804	0.0804	154,981,140	0.0804	0.0804	124,605	
City of Herculaneum	General Revenue	64,369,681	0.6396	0.6396	69,429,902	0.6396	0.6396	444,074	
City of Hillsboro	General Revenue	29,279,218	0.4207	0.4207	32,334,200	0.4207	0.4207	136,030	
	Parks & Recreation	29,279,218	0.0754	0.0754	32,334,200	0.0754	0.0754	24,380	
City of Kimmswick	General Revenue	3,231,311	0.3456	0.0000	2,294,397	0.4867	0.0000	0	
City of Olympian Village	General Revenue	4,218,538	0.2341	0.2341	4,317,843	0.2368	0.2368	10,225	
	Road	4,218,538	0.1217	0.1217	4,317,843	0.1231	0.1231	5,315	
Village of Parkdale	General Revenue	1,429,830	0.0951	0.0951	1,428,993	0.0953	0.0953	1,362	
City of Pevely	General Revenue	89,210,629	0.7715	0.7715	91,712,837	0.7715	0.7715	707,565	
Village of Scotsdale	General Revenue	2,582,479	0.3310	0.3310	2,571,584	0.3328	0.3328	8,558	
City of Byrnes Mill	General Revenue	33,050,960	0.4039	0.4039	34,372,555	0.4041	0.4041	138,899	
Northwest Library Subdistrict	General Revenue	551,218,436	0.1859	0.1859	565,017,602	0.1859	0.1859	1,050,368	
Windsor-Fox Library Subdistrict	General Revenue	1,037,879,569	0.1721	0.1721	1,064,453,385	0.1721	0.1721	1,831,924	
Antonia Fire Protection District	General Revenue	174,874,922	0.8607	0.8607	180,315,697	0.8607	0.8607	1,551,977	
	Pension	174,874,922	0.0451	0.0451	180,315,697	0.0451	0.0451	81,322	
	Dispatch	174,874,922	0.0270	0.0270	180,315,697	0.0270	0.0270	48,685	
	Debt Service	174,874,922	0.2116	0.2116	180,315,697	0.2865	0.2300	414,726	
Cedar Hill Fire Protection District	General Revenue	153,382,380	0.8056	0.8056	155,891,456	0.8056	0.8056	1,255,862	
	Pension	153,382,380	0.0459	0.0459	155,891,456	0.0459	0.0459	71,554	
	Debt Service	153,382,380	0.0736	0.0736	155,891,456	0.0000	0.0000	0	
Dunklin Fire Protection District	General Revenue	141,373,341	0.6175	0.6175	147,793,219	0.6675	0.6675	986,520	
	Pension	141,373,341	0.0477	0.0477	147,793,219	0.0477	0.0477	70,497	
Goldman Fire Protection District	General Revenue	55,863,332	0.8403	0.8403	57,626,789	0.8903	0.8903	513,051	
	Dispatch	55,863,332	0.0460	0.0460	57,626,789	0.0460	0.0460	26,508	
Hematite Fire Protection District	General Revenue	63,987,438	0.4730	0.4730	64,828,992	0.4730	0.4730	306,641	
High Ridge Fire Protection District	General Revenue	384,328,979	0.7605	0.7605	394,714,059	0.7605	0.6261	2,471,305	
	Pension	384,328,979	0.0734	0.0734	394,714,059	0.0734	0.0734	289,720	
	Dispatch	384,328,979	0.0458	0.0458	394,714,059	0.0458	0.0458	180,779	
	Debt Service	384,328,979	0.1574	0.1574	394,714,059	0.1118	0.1118	441,290	
Hillsboro Fire Protection District	General Revenue	115,460,462	0.6234	0.6234	119,772,791	0.6234	0.6234	746,664	
Jefferson R7 Fire Prot Dist	General Revenue	144,554,930	0.2903	0.2903	152,652,029	0.2903	0.2903	443,149	
Rock Community Fire Prot Dist	General Revenue	686,748,424	0.7691	0.5779	702,929,187	0.7691	0.5702	4,008,102	
	Pension	686,748,424	0.0917	0.0917	702,929,187	0.0917	0.0917	644,586	
	Communications	686,748,424	0.0452	0.0452	702,929,187	0.0452	0.0452	317,724	
Shady Valley Fire Protction Dist	General Revenue	80,832,275	1.3474	1.3474	83,299,348	1.3474	1.3474	1,122,375	
	Dispatch	80,832,275	0.0424	0.0424	83,299,348	0.0424	0.0424	35,319	
Springdale Fire Protection District	General Revenue	130,777,183	1.1585	1.1585	133,084,695	1.1585	1.1289	1,502,393	
	Pension	130,777,183	0.0913	0.0913	133,084,695	0.0913	0.0913	121,506	
	Dispatch	130,777,183	0.0274	0.0274	133,084,695	0.0274	0.0274	36,465	
	Debt Service	130,777,183	0.2424	0.2424	133,084,695	0.2905	0.2755	366,648	
De Soto Rural Fire Protection Dist	General Revenue	180,215,509	0.6520	0.6520	183,715,830	0.6520	0.6520	1,197,827	
Mapaville Fire Protection District	General Revenue	48,494,018	0.3636	0.3636	49,316,713	0.4136	0.4136	203,974	
Jefferson County Health Department	General Revenue	**	**	**	2,868,698,205	0.0738	0.0738	2,117,099	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Jefferson</u>										
Jefferson College	General Revenue	2,748,091,397	0.3342	0.3342		2,822,567,583	0.3342	0.3342	9,433,021	
Northwest R-I School District	Operating Funds-Schools	522,523,220	3.8738	3.8738	E	536,917,914	3.8957	3.8957	20,916,711	E
	Debt Service	522,523,220	0.4740	0.4740	E	536,917,914	0.6000	0.4740	2,544,991	E
Grandview R-II School District	Operating Funds-Schools	47,648,090	3.1900	3.1900	E	48,767,230	3.2164	3.2164	1,568,549	E
	Debt Service	47,648,090	1.9166	1.4700	E	48,767,230	1.5120	1.5120	737,361	E
Hillsboro R-III School District	Operating Funds-Schools	231,807,667	3.6149	3.6149	E	239,323,654	3.6397	3.6397	8,710,663	E
	Debt Service	231,807,667	1.1296	0.9741	E	239,323,654	0.9852	0.9493	2,271,899	E
Dunklin R-V School District	Operating Funds-Schools	147,077,455	3.5264	3.5264	E	154,684,099	3.5383	3.5383	5,473,187	E
	Debt Service	147,077,455	0.7970	0.6700	E	154,684,099	1.0878	0.6700	1,036,383	E
Festus R-VI School District	Operating Funds-Schools	229,707,834	2.7500	2.7500	E	238,188,348	2.7500	2.7500	6,550,180	E
	Debt Service	229,707,834	0.6418	0.6400	E	238,188,348	0.7092	0.6400	1,524,405	E
Jefferson Co R-VII School District	Operating Funds-Schools	140,660,605	3.7698	3.7609	E	148,800,976	3.7923	3.7609	5,596,256	E
	Debt Service	140,660,605	0.6293	0.6175	E	148,800,976	0.9739	0.6175	918,846	E
Sunrise R-IX School District	Operating Funds-Schools	31,673,060	2.9948	2.9948	E	32,701,610	2.9893	2.9893	977,549	E
	Debt Service	31,673,060	0.8553	0.6500	E	32,701,610	0.9594	0.8742	285,877	E
Windsor C-1 School District	Operating Funds-Schools	200,575,923	3.4919	3.4919	E	201,682,783	3.5256	3.4919	7,042,561	E
	Debt Service	200,575,923	1.7541	1.1594	E	201,682,783	1.7699	1.1594	2,338,310	E
Fox C-6 School District	Operating Funds-Schools	802,252,982	4.1902	4.1902	E	828,726,393	4.2017	4.2001	34,807,337	E
	Debt Service	802,841,905	0.4689	0.3300	E	828,726,393	0.4746	0.3300	2,734,797	E
Crystal City 47 School District	Operating Funds-Schools	59,948,360	3.8554	3.8400	E	59,613,390	3.8957	3.8608	2,301,554	E
	Debt Service	59,948,360	1.0540	0.8000	E	59,613,390	1.0921	0.8000	476,907	E
DeSoto 73 School District	Operating Funds-Schools	176,049,697	3.4148	3.4148	E	178,646,689	3.4492	3.4492	6,161,882	E
	Debt Service	176,049,697	0.6624	0.5535	E	178,646,689	0.7565	0.6667	1,191,037	E
Jefferson County	General Revenue	2,790,553,587	0.1846	0.0000		2,868,698,205	0.1846	0.0000	0	
	Parks & Recreation	2,790,553,587	0.0277	0.0277		2,868,698,205	0.0277	0.0277	794,629	
	Road & Bridge	2,331,579,071	0.2100	0.2100		2,391,218,017	0.2100	0.2100	5,021,558	
	Health	2,790,553,587	0.0738	0.0738		**	**	**		
	Developmentally Disabled	2,790,553,587	0.0924	0.0924		2,868,698,205	0.0924	0.0924	2,650,677	
	Mental Health	2,790,553,587	0.0924	0.0924		2,868,698,205	0.0924	0.0924	2,650,677	
<u>Johnson</u>										
Johnson County Ambulance District	General Revenue	491,860,487	0.2984	0.2984		502,857,738	0.2988	0.2988	1,502,539	
Western Missouri Medical Center	General Revenue	497,647,642	0.1524	0.1497		508,753,463	0.1526	0.1497	761,604	
South Fork of Blackwater Watershed	General Revenue	45,725,860	0.0880	0.0880		39,497,093	0.1000	0.1000	39,497	
City of Centerview	General Revenue	1,338,246	0.8336	0.8336		1,368,155	0.8356	0.8356	11,432	
City of Chilhowee	General Revenue	1,492,427	1.0000	1.0000		1,414,258	1.0000	1.0000	14,143	
City of Holden	General Revenue	16,680,796	0.7228	0.7228		17,161,998	0.7262	0.7262	124,630	
	Debt Service	16,680,796	0.1653	0.1186		17,161,998	0.1579	0.1186	20,354	
City of Kingsville	General Revenue	6,384,921	0.7471	0.7471		5,267,374	0.7500	0.7500	39,505	
City of Knob Noster	General Revenue	18,192,200	0.6675	0.6675		19,224,913	0.6675	0.6675	128,326	
	Fire	18,192,200	0.2942	0.2942		19,224,913	0.2942	0.2942	56,560	2008
Village of La Tour	General Revenue	235,637	0.4901	0.4901		237,135	0.5000	0.5000	1,186	
City of Leeton	General Revenue	3,142,132	0.8455	0.8455		3,336,025	0.8455	0.8455	28,206	
City of Warrensburg	General Revenue	174,764,798	0.3543	0.3543		180,071,894	0.3543	0.3543	637,995	
	Parks & Recreation	174,764,798	0.1924	0.1924		180,071,894	0.1924	0.1924	346,458	
Trails Consolidated Library	General Revenue	861,546,030	0.2545	0.2545		874,297,447	0.2554	0.2554	2,232,956	
Fire District #2 of Johnson County	General Revenue	100,082,783	0.3679	0.3679		101,311,167	0.3700	0.3700	374,851	
Johnson County Fire Prot Dist	General Revenue	180,320,111	0.3586	0.3586		183,595,193	0.3600	0.3600	660,943	
	Debt Service	180,320,111	0.1750	0.1750		183,595,193	0.2802	0.1800	330,471	
Johnson County Community Health	General Revenue	**	**	**		508,753,463	0.0996	0.0996	506,718	
Kingsville R-I School District	Operating Funds-Schools	22,706,893	3.4865	3.4490	E	22,248,425	3.6541	3.6541	812,980	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Johnson</u>										
Kingsville R-I School District	Debt Service	22,706,893	1.8675	0.9433	E	22,248,425	1.8372	0.9433	209,869	E
Holden R-III School District	Operating Funds-Schools	84,021,466	3.7407	3.3100	E	86,700,896	3.7141	3.7100	3,216,603	E
	Debt Service	84,021,466	1.1684	0.6700	E	86,700,896	1.2340	0.6700	580,896	E
Chilhowee R-IV School District	Operating Funds-Schools	8,588,228	4.7500	4.5404	BE	8,716,035	5.2500	5.2500	457,592	BE
	Debt Service	8,588,228	0.2096	0.2096	E	**	**	**		
Johnson Co R-VII School District	Operating Funds-Schools	33,431,798	3.0000	3.0000	BE	34,285,091	3.2500	3.2500	1,114,265	BE
	Debt Service	33,431,798	0.9882	0.8000	E	34,285,091	0.9250	0.8000	274,281	E
Knob Noster R-VIII School District	Operating Funds-Schools	49,985,991	2.8400	2.7500	E	53,867,510	2.8400	2.7500	1,481,357	E
Leeton R-X School District	Operating Funds-Schools	14,789,144	3.8709	3.8309	E	14,876,465	3.9230	3.9230	583,604	E
	Debt Service	14,789,144	1.3426	0.8600	E	14,876,465	1.2273	0.8600	127,938	E
Warrensburg R-VI School District	Operating Funds-Schools	237,727,438	3.7309	3.7309	E	244,166,041	3.7380	3.7380	9,126,927	E
	Debt Service	237,727,438	0.6633	0.6500	E	244,166,041	0.6598	0.6500	1,587,079	E
Johnson County	General Revenue	497,647,642	0.3250	0.1095		508,753,463	0.3254	0.1199	609,995	
	Road & Bridge	497,647,642	0.2438	0.2400		508,753,463	0.2441	0.2400	1,221,008	
	Health	497,647,642	0.0995	0.0995		**	**	**		
	Senate Bill 40	497,647,642	0.1193	0.1000		508,753,463	0.1195	0.1195	607,960	
<u>Knox</u>										
Knox County Ambulance District	General Revenue	62,673,972	0.3396	0.3500	D	63,863,946	0.3436	0.3436	219,437	
	Dispatch	62,673,972	0.0291	0.0300	D	63,863,946	0.0294	0.0294	18,776	
Knox County Nursing Home District	General Revenue	61,709,681	0.2914	0.2914		62,955,864	0.2950	0.2950	185,720	
City of Baring	General Revenue	834,760	0.8824	0.8824		831,201	0.8921	0.8921	7,415	
City of Edina	General Revenue	10,238,731	0.7421	0.7421		10,014,283	0.7610	0.7610	76,209	
	Lights	10,238,731	0.1386	0.1386		10,014,283	0.1421	0.1421	14,230	
City of Hurdland	General Revenue	869,373	0.7537	0.7537		846,131	0.7755	0.7755	6,562	
	Fire	869,373	0.2787	0.2787		846,131	0.2868	0.2868	2,427	
	Debt Service	869,373	0.4174	0.4174		846,131	0.5429	0.5429	4,594	
City of Knox City	General Revenue	1,305,509	0.9566	0.9566		1,320,895	0.9666	0.9666	12,768	
	Streets	1,305,509	0.1434	0.1434		**	**	**		2007
	Streets	**	**	**		1,320,895	0.1500	0.1500	1,981	A 2009
Village of Newark	General Revenue	538,856	0.4922	0.4922		526,877	0.5054	0.5054	2,663	
Village of Novelty	General Revenue	663,320	0.9212	0.9212		681,441	0.9218	0.9218	6,282	
	Streets	663,320	0.2763	0.2763		681,441	0.2765	0.2765	1,884	2009
Knox County Library	General Revenue	62,673,972	0.0970	0.0970		63,863,946	0.0981	0.0981	62,651	
Knox County Health Department	General Revenue	**	**	**		63,863,946	0.0981	0.0981	62,651	
Knox Co R-I School District	Operating Funds-Schools	53,149,824	3.5866	3.5866	E	54,640,591	3.6128	3.6128	1,974,055	E
	Debt Service	53,149,824	0.2922	0.2000	E	54,640,591	0.2492	0.2000	109,281	E
Knox County	General Revenue	62,673,972	0.4223	0.2800		63,863,946	0.4273	0.3000	191,592	
	Road & Bridge	62,673,972	0.3063	0.3063		63,863,946	0.3099	0.3099	197,914	
	Special Road and Bridge	62,673,972	0.3396	0.3137		63,863,946	0.3436	0.3436	219,437	2009
	Health	62,673,972	0.0970	0.0970		**	**	**		
<u>Laclede</u>										
Lebanon Spec Rd Dist #1 Laclede Co	Special Road and Bridge	219,556,749	0.1963	0.1963		228,391,024	0.1975	0.1975	451,072	2009
	Rd & Bridge (County)	219,556,749	0.3360	0.3360		228,391,024	0.3380	0.3380	771,962	
Phillipsburg Spec Rd #3 Laclede Co	Road & Bridge	13,823,630	0.2652	0.2652		13,823,074	0.2690	0.2690	37,184	
	Special Road and Bridge	13,823,630	0.2300	0.2300		13,823,074	0.2300	0.2300	31,793	2009
Laclede County Road District	Road & Bridge	123,048,634	0.2103	0.0000		123,427,373	0.2130	0.0000	0	
Conway Spec Road Dist #2 Laclede Co	Road & Bridge	10,340,903	0.2300	0.2300		10,358,669	0.2322	0.2300	23,825	
	Special Road and Bridge	10,340,903	0.3459	0.3459		**	**	**		2007
	Special Road and Bridge	**	**	**		10,358,669	0.3500	0.3500	36,255	A 2011

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Laclede</u>										
City of Conway	General Revenue	4,191,463	0.0581	0.0000	4,247,134	0.0581	0.0000	0		
City of Lebanon	General Revenue	175,915,064	0.2525	0.2525	183,606,038	0.2542	0.2542	466,727		
	Parks & Recreation	175,915,064	0.2525	0.2525	183,606,038	0.2542	0.2542	466,727		
Village of Phillipsburg	General Revenue	1,180,111	0.4547	0.4547	1,204,210	0.4547	0.4547	5,476		
Village of Evergreen	Building Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
	Fire Equipment Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
	Fire Truck #1 Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
	Fire Truck #2 Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
	Police Vehicle #1 Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
	Police Vehicle #2 Maint	810,555	0.3000	0.3000	851,139	0.3000	0.3000	2,553	2009	
Lebanon-Laclede County Library	General Revenue	366,769,917	0.1311	0.1311	376,083,658	0.1318	0.1318	495,678		
Lebanon Rural Fire Protection Dist	General Revenue	100,247,336	0.1791	0.1791	101,747,779	0.1798	0.1798	182,943		
Bennett Spring Fire Protection Dist	General Revenue	9,501,195	0.2960	0.2960	9,600,521	0.2984	0.2984	28,648		
Competition Fire Protection Dist	General Revenue	8,949,739	0.3000	0.3000	8,950,750	0.3000	0.3000	26,852		
Nebo-Falcon Fire Protection Dist	General Revenue	10,081,885	0.2957	0.2957	10,177,555	0.3000	0.3000	30,533		
Lebanon Special Business District	General Revenue	3,833,800	0.6651	0.6651	3,779,910	0.6746	0.6746	25,499		
Laclede County Health Department	General Revenue	**	**	**	376,083,658	0.0994	0.0994	373,827		
Laclede Co. R-I School District	Operating Funds-Schools	31,466,388	2.7500	2.7500	F 31,973,041	2.7500	2.7500	879,259	F	
Gasconade C-4 School District	Operating Funds-Schools	7,860,222	3.5214	3.4300	E 7,889,483	3.5471	3.4300	270,609	E	
Lebanon R-III School District	Operating Funds-Schools	268,144,032	2.7500	2.7500	F 277,781,965	2.7500	2.7500	7,639,004	F	
	Debt Service	268,144,032	0.4726	0.4700	F 277,781,965	0.4755	0.4700	1,305,575	F	
Laclede Co C-5 School District	Operating Funds-Schools	26,153,287	3.3000	3.2249	E 26,234,230	3.3000	3.3000	865,730	E	
Laclede County	General Revenue	366,769,917	0.2924	0.0843	376,083,658	0.2940	0.1147	431,368		
	Health	366,769,917	0.0988	0.0988	**	**	**			
	Senate Bill 40	366,769,917	0.0655	0.0655	376,083,658	0.0659	0.0655	246,335		
	Senate Bill 40-LEEP	366,769,917	0.0655	0.0655	376,083,658	0.0659	0.0655	246,335		
<u>Lafayette</u>										
Little Sni A Bar Watershed Sub Dist	General Revenue	6,907,329	0.0789	0.0789	7,028,679	0.0789	0.0789	5,546		
Tabo Creek Watershed Sub District	General Revenue	15,536,633	0.0726	0.0726	15,578,191	0.0732	0.0732	11,403		
Wellington Napoleon Sub District	General Revenue	4,364,784	0.0805	0.0805	4,327,708	0.0819	0.0819	3,544		
Alma Spec Road Dist Lafayette Co	Special Road and Bridge	10,964,839	0.0030	0.2600	AG 11,078,881	0.0030	0.2600	28,805	G 2010	
Corder Spec Rd Dist Lafayette Co	Special Road and Bridge	8,882,436	0.0030	0.3000	AG 8,952,280	0.0030	0.3000	26,857	G 2009	
Concordia Spec Rd Dist Lafayette Co	Special Road and Bridge	43,486,078	0.0033	0.3300	AG 44,358,481	0.0033	0.3300	146,383	G 2010	
Dover Spec Rd Dist Lafayette Co	Special Road and Bridge	7,388,230	0.3415	0.3415	**	**	**		2007	
	Special Road and Bridge	**	**	**	7,577,042	0.3500	0.3500	26,520	A 2011	
Higginsville Road Dist Lafayette Co	Special Road and Bridge	56,528,932	0.1366	0.1366	**	**	**		2007	
	Special Road District	**	**	**	56,555,184	0.2400	0.2400	135,732	A 2011	
Mayview Spec Rd Dist Lafayette Co	Special Road and Bridge	12,653,920	0.0025	0.2500	AG 12,429,671	0.0025	0.2500	31,074	G 2010	
Odessa Spec Rd Dist Lafayette Co	Special Road and Bridge	108,441,301	0.2400	0.2400	A 108,621,962	0.2400	0.2400	260,693	2010	
Waverly Spec Rd Dist Lafayette Co	Special Road and Bridge	15,433,257	0.2400	0.2400	A 15,602,939	0.2400	0.2400	37,447	2010	
Wellington Napoleon Rd Lafayette Co	Special Road and Bridge	22,141,004	0.2000	0.2000	A 22,359,418	0.2000	0.2000	44,719	2010	
City of Alma	General Revenue	3,804,382	0.5054	0.5054	3,905,089	0.5061	0.5061	19,764		
	General Revenue-Temp	3,804,382	0.2549	0.2549	3,905,089	0.2552	0.2552	9,966	2009	
Village of Aullville	General Revenue	679,172	0.3538	0.3538	674,086	0.3668	0.3668	2,473		
City of Bates City	General Revenue	4,163,521	0.2652	0.2652	4,499,234	0.2718	0.2718	12,229		
City of Concordia	General Revenue	28,062,753	0.4899	0.4899	28,945,410	0.4915	0.4915	142,267		
City of Corder	General Revenue	2,721,184	0.5586	0.5586	2,775,606	0.5604	0.5604	15,554		
	Parks & Recreation	2,721,184	0.1376	0.1376	2,775,606	0.1380	0.1380	3,830		
Village of Dover	General Revenue	544,882	0.2905	0.2905	533,229	0.2969	0.2969	1,583		
City of Higginsville	General Revenue	41,483,802	0.4120	0.4120	41,353,624	0.4164	0.4164	172,196		

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Lafayette</u>									
City of Higginsville	Parks & Recreation	41,483,802	0.3279	0.3279	41,353,624	0.3314	0.3314	137,046	
	Library	33,885,727	0.1677	0.1677	33,685,121	0.1700	0.1700	57,265	
City of Lexington	General Revenue	43,371,412	0.5002	0.5002	43,006,336	0.5061	0.5061	217,655	
	Parks & Recreation	43,371,412	0.2541	0.2541	43,006,336	0.2571	0.2571	110,569	
	Health	43,371,412	0.1356	0.1356	43,006,336	0.1372	0.1372	59,005	
City of Mayview	General Revenue	1,461,864	0.5732	0.5732	1,397,044	0.6005	0.5732	8,008	
City of Napoleon	General Revenue	2,074,304	0.7344	0.7344	2,002,670	0.7607	0.7607	15,234	
City of Odessa	General Revenue	50,447,051	0.5137	0.5137	50,746,407	0.5164	0.5164	262,054	
	Parks & Recreation	50,447,051	0.1357	0.1357	50,746,407	0.1364	0.1364	69,218	
City of Waverly	General Revenue	7,393,657	0.4717	0.4717	7,537,100	0.4756	0.4756	35,846	
	Streets	7,393,657	0.1904	0.1904	7,537,100	0.1920	0.1920	14,471	
City of Wellington	General Revenue	6,335,148	0.4560	0.4560	6,425,414	0.4572	0.4572	29,377	
City of Lake Lafayette	General Revenue	1,994,696	1.0000	1.0000	1,963,396	1.0000	1.0000	19,634	
Corder Fire Protection District	General Revenue	14,378,902	0.3165	0.3165	14,460,317	0.3171	0.3171	45,854	
Sni Valley Fire Protection District	General Revenue	177,382,896	0.4753	0.4700	43,153,953	0.5500	0.4537	195,789	
	Dispatch	177,382,896	0.0296	0.0296	43,153,953	0.0300	0.0282	12,169	
	Fire and Ambulance	177,382,896	0.1481	0.1481	43,153,953	0.1500	0.1414	61,020	
	Debt Service	177,382,896	0.1175	0.1175	43,153,953	0.4375	0.1055	45,527	
Concordia Fire Protection District	General Revenue	52,305,909	0.2564	0.2564	53,330,877	0.2585	0.2585	137,860	
Alma Fire Protection District	General Revenue	13,614,752	0.4801	0.4800	13,707,670	0.4806	0.4800	65,797	
Wellington-Napoleon Fire Prot Dist	General Revenue	25,676,061	0.2551	0.2551	26,084,498	0.2567	0.2567	66,959	
	Ambulance	25,676,061	0.0850	0.0850	26,084,498	0.0855	0.0855	22,302	
Odessa Fire Protection District	General Revenue	103,397,720	0.4221	0.4221	103,653,296	0.4253	0.4253	440,837	
Wellington-Napoleon R-IX Reg Rec Ds	Parks & Recreation	28,432,576	0.1651	0.1651	28,861,190	0.1661	0.1661	47,938	
Lafayette County Health Department	General Revenue	**	**	**	399,237,362	0.0684	0.0684	273,078	
Concordia R-II School District	Operating Funds-Schools	47,893,869	3.0196	3.0196	E 49,117,045	3.0533	3.0517	1,498,905	E
	Debt Service	47,893,869	0.4138	0.4138	E 49,117,045	0.5525	0.4683	230,015	E
Lafayette Co C-1 School District	Operating Funds-Schools	67,072,115	3.0152	3.0152	E 67,045,751	3.0679	3.0679	2,056,897	E
	Debt Service	67,072,115	1.1634	1.0000	E 67,045,751	1.0072	1.0000	670,458	E
Odessa R-VII School District	Operating Funds-Schools	134,450,733	3.4425	3.4425	E 134,032,408	3.5138	3.5083	4,702,259	E
	Debt Service	134,450,733	0.8923	0.8800	E 134,032,408	1.6250	0.8142	1,091,292	E
Santa Fe R-X School District	Operating Funds-Schools	28,112,673	3.3856	3.2500	E 28,482,307	3.4422	3.4000	968,398	E
	Debt Service	28,112,673	0.6055	0.5400	E 28,482,307	0.8072	0.4300	122,474	E
Wellington-Napoleon R-IX Sch Dist	Operating Funds-Schools	25,541,193	3.5696	3.5696	E 25,900,752	3.6044	3.6044	933,567	E
	Debt Service	25,541,193	0.9693	0.7500	E 25,900,752	1.1439	0.7500	194,256	E
Lexington R-V School District	Operating Funds-Schools	56,376,623	3.2856	3.2856	E 56,138,390	3.3479	3.3219	1,864,861	E
	Debt Service	56,376,623	0.9431	0.9300	E 56,138,390	0.9313	0.9300	522,087	E
Lafayette County	General Revenue	397,784,115	0.2717	0.1600	399,237,362	0.2738	0.1750	698,665	
	Johnson Grass	397,784,115	0.0256	0.0030	399,237,362	0.0258	0.0120	47,908	
	Road & Bridge	397,784,115	0.2038	0.2038	399,237,362	0.2054	0.2038	813,646	
	Health	397,784,115	0.0679	0.0679	**	**	**		
	Senate Bill 40	397,784,115	0.0595	0.0595	399,237,362	0.0600	0.0600	239,542	
	2-W Common Rd Dist	39,383,988	0.0033	0.3300	AG 39,737,850	0.0033	0.3300	131,135	G 2010
	I-E Common Road Dist	14,225,869	0.3096	0.3096	**	**	**		2007
	I-E Common Road Dist	**	**	**	14,216,210	0.3500	0.3500	49,757	A 2011
<u>Lawrence</u>									
Mt Vernon Ambulance District	General Revenue	144,562,376	0.1354	0.1354	145,283,948	0.1373	0.1373	199,475	
Lawrence County Nursing Home Dist	General Revenue	398,196,177	0.1049	0.1049	400,879,643	0.1063	0.1063	426,135	
Aurora Spec Road Dist Lawrence Co	Special Road and Bridge	96,084,404	0.1652	0.1652	99,810,606	0.1652	0.1652	164,887	2008
Buck Prairie Sp Rd Dist Lawrence Co	Special Road and Bridge	34,006,495	0.3016	0.3016	34,450,026	0.3044	0.3044	104,866	2009

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Lawrence</u>										
Freistatt Spec Rd Dist Lawrence Co	Special Road and Bridge	8,003,634	0.3500	0.3500	A	7,852,685	0.3500	0.3500	27,484	2010
Greene Benefit Spec Rd Lawrence Co	Special Road and Bridge	7,212,149	0.2200	0.2200		7,139,973	0.2200	0.2200	15,708	2008
Midway Benefit Spec Rd Lawrence Co	Special Road and Bridge	2,069,261	0.2257	0.2257		2,074,592	0.2400	0.2400	4,979	2009
Miller Benefit Spec Rd Lawrence Co	Special Road and Bridge	18,060,225	0.1900	0.1900		18,761,706	0.1900	0.1900	35,647	2009
Mt Pleasant Benefit SRD Lawrence Co	Special Road and Bridge	4,233,200	0.1975	0.1975		4,144,116	0.2000	0.1975	8,185	2009
Mt Vernon Benefit Sp Rd Lawrence Co	Special Road and Bridge	94,663,768	0.1550	0.1550		94,628,816	0.1580	0.1580	149,514	2009
Pierce Benefit SRD Lawrence Co	Special Road and Bridge	22,454,483	0.1861	0.1861		22,717,514	0.1869	0.1869	42,459	2008
Red Oak Benefit Sp Rd Lawrence Co	Special Road and Bridge	4,807,502	0.2000	0.2000		4,772,222	0.2000	0.2000	9,544	2009
Verona Benefit SRD Lawrence Co	Special Road and Bridge	27,420,588	0.1862	0.1862		24,872,174	0.1900	0.1900	47,257	2009
Vineyard Benefit Sp Rd Lawrence Co	Special Road and Bridge	4,034,827	0.2156	0.2156		3,914,454	0.2200	0.2200	8,612	2008
City of Aurora	General Revenue	71,980,472	0.3531	0.3531		74,959,983	0.3531	0.3531	264,684	
	Parks & Recreation	71,980,472	0.1374	0.1374		74,959,983	0.1374	0.1374	102,995	
	Debt Service	71,980,472	0.1510	0.1510		74,959,983	0.0204	0.0204	15,292	
Village of Freistatt	General Revenue	1,028,807	0.2464	0.2464		1,056,719	0.2490	0.2490	2,631	
City of Marionville	General Revenue	15,685,782	0.5896	0.5896		15,624,832	0.5978	0.5978	93,405	
City of Miller	General Revenue	4,415,478	0.9860	0.9860		4,507,586	0.9980	0.9980	44,986	
City of Pierce City	General Revenue	9,018,879	0.5130	0.5130		9,173,159	0.5147	0.5147	47,214	
	Parks & Recreation	9,018,879	0.1146	0.1146		9,173,159	0.1150	0.1150	10,549	
	Fire	9,018,879	0.1146	0.1146		9,173,159	0.1150	0.1150	10,549	
City of Stotts City	General Revenue	854,074	0.4707	0.4707		839,954	0.4797	0.4797	4,029	
City of Verona	General Revenue	9,600,169	0.6111	0.6111		7,746,717	0.7581	0.7581	58,728	
Miller R-II School District	Operating Funds-Schools	39,867,624	3.4766	3.4766	E	41,067,723	3.5434	3.5400	1,453,797	E
	Operating Funds-Temp	39,867,624	0.5134	0.5134	AE	41,067,723	0.5134	0.4500	184,805	E 2026
Pierce City R-VI School District	Operating Funds-Schools	34,796,921	2.7500	2.7500	F	35,130,883	2.7500	2.7500	966,099	F
	Debt Service	34,796,921	0.6855	0.6600	F	35,130,883	0.7672	0.6600	231,864	F
Marionville R-IX School District	Operating Funds-Schools	34,700,929	2.8477	2.7500	F	35,891,798	2.8351	2.7500	987,024	F
	Debt Service	34,700,929	0.9569	0.8100	F	35,891,798	1.0675	0.8100	290,724	F
Mt. Vernon R-V School District	Operating Funds-Schools	102,269,865	2.7500	2.7500	E	102,468,274	2.7500	2.7500	2,817,878	E
	Debt Service	102,269,865	0.9828	0.5700	E	102,468,274	1.1861	0.5700	584,069	E
Aurora R-VIII School District	Operating Funds-Schools	103,714,604	2.4811	2.4811	F	106,624,984	2.3646	2.3646	2,521,254	F
	Operating Funds-Temp	103,714,604	0.3852	0.3852	F	106,624,984	0.3854	0.3854	410,933	F 2024
	Debt Service	103,714,604	0.8423	0.8300	F	106,624,984	1.0756	0.9463	1,008,992	F
Verona R-VII School District	Operating Funds-Schools	25,529,457	3.3255	2.7500	E	22,876,546	3.7178	3.1200	713,748	E
	Debt Service	25,529,457	1.3545	0.8300	E	22,876,546	0.9836	0.8300	189,875	E
Lawrence County	General Revenue	398,196,177	0.2767	0.1170		400,879,643	0.2805	0.1209	484,663	
	Road & Bridge	398,196,177	0.2003	0.0700		400,879,643	0.2030	0.0700	280,616	
	Developmentally Disabled	398,196,177	0.0859	0.0859		400,879,643	0.0871	0.0871	349,166	
	Senior Services	398,196,177	0.0473	0.0473		400,879,643	0.0479	0.0479	192,021	
	Common I Road District	29,329,015	0.2000	0.2000		29,573,035	0.2000	0.2000	59,146	2009
	Common II Road District	11,117,895	0.2100	0.2100		10,768,094	0.2100	0.2100	22,613	2009
<u>Lewis</u>										
Lewis County Ambulance District	General Revenue	97,852,120	0.2500	0.2500		99,307,441	0.2500	0.2500	248,269	
Lewis County Nursing Home	General Revenue	97,852,120	0.1500	0.1500		99,307,441	0.1500	0.1500	148,961	
Buck & Doe Run Creeks Sub District	General Revenue	2,376,770	0.3558	0.3558		3,579,830	0.2482	0.2482	8,885	
Durgens Creek Watershed Sub Dist	General Revenue	2,439,725	0.3969	0.3969		2,519,300	0.3969	0.3969	9,999	
Troublesome Watershed Sub District	General Revenue	9,140,496	0.3730	0.3730		9,423,319	0.3730	0.3730	35,149	
Grassey Creek Watershed Sub Dist	General Revenue	5,920,955	0.3867	0.3867		6,075,270	0.3876	0.3876	23,548	
Canton Spec Rd Dist Lewis Co	Road & Bridge	25,038,311	0.3064	0.2500		25,310,072	0.3072	0.2500	63,275	
Dickerson Spec Road Dist Lewis Co	Road & Bridge	727,581	0.3500	0.3500		723,966	0.3500	0.3500	2,534	
La Grange Spec Rd Dist Lewis Co	Road & Bridge	17,803,558	0.3319	0.3000		17,696,140	0.3356	0.3000	53,088	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Lewis</u>										
City of Canton	General Revenue	15,998,296	0.7095	0.6850		15,875,228	0.7182	0.7095	112,635	
	Parks & Recreation	15,998,296	0.2000	0.2000		15,875,228	0.2000	0.2000	31,750	
	Library	15,998,296	0.2500	0.2500		15,875,228	0.2500	0.2500	39,688	
	Levee	15,998,296	0.2000	0.2000		15,875,228	0.2000	0.2000	31,750	
City of Ewing	General Revenue	2,531,826	0.6470	0.6400		2,548,611	0.6540	0.6500	16,566	
City of La Belle	General Revenue	3,597,433	0.7673	0.7673		3,742,020	0.7695	0.7695	28,795	
	Streets	3,597,433	0.1000	0.1000		3,742,020	0.1000	0.1000	3,742	2008
	Streets -Temp	**	**	**		3,742,020	0.0035	0.0000	0	2010
	Streets-Temp	3,597,433	0.0035	0.3500	AG	3,742,020	0.3500	0.3500	13,097	A 2011
City of La Grange	General Revenue	11,908,802	0.5500	0.4900		11,785,821	0.5500	0.4900	57,751	
	Streets	11,908,802	0.3000	0.2700		11,785,821	0.3000	0.2700	31,822	
	Cemetery	11,908,802	0.1500	0.1300		11,785,821	0.1500	0.1300	15,322	
City of Lewistown	General Revenue	3,583,182	0.6545	0.6545		3,557,635	0.6709	0.6709	23,868	
	Debt Service	3,583,182	0.3070	0.3070		3,557,635	0.3176	0.3176	11,299	
Village of Monticello	General Revenue	799,289	0.6568	0.6568		799,681	0.6651	0.6651	5,319	
Lewis County Library	General Revenue	81,738,186	0.1000	0.1000		83,309,991	0.1000	0.1000	83,310	
Canton R-V Fire Protection District	General Revenue	27,253,224	0.2524	0.2524		27,420,653	0.2542	0.2542	69,703	
	Debt Service	27,253,224	0.2006	0.2006		27,420,653	0.1994	0.1994	54,677	
Ewing-Maywood R-4 Fire Prot Dist	General Revenue	20,259,795	0.4369	0.4369		20,823,832	0.4376	0.4376	91,125	
La Belle Fire Protection District	General Revenue	14,916,881	0.4300	0.4300		22,754,171	0.4300	0.4300	97,843	
	Debt Service	14,916,881	0.2408	0.2408		22,754,171	0.1520	0.1520	34,586	
Lewis County Health Department	General Revenue	**	**	**		99,307,441	0.1000	0.1000	99,307	
Canton R-V School District	Operating Funds-Schools	29,179,286	3.4300	3.4300	BE	29,476,880	3.4423	3.4423	1,014,683	E
	Debt Service	29,179,286	0.6037	0.5500	E	29,476,880	0.5797	0.5500	162,123	E
Lewis Co C-1 School District	Operating Funds-Schools	61,007,606	3.6039	3.6039	E	62,228,647	3.5838	3.5838	2,230,150	E
Lewis County	General Revenue	97,852,120	0.4170	0.2712		99,307,441	0.4170	0.2712	269,322	
	Road & Bridge	54,282,669	0.2833	0.2833		55,528,043	0.2834	0.2833	157,311	
	Common Road District	54,282,669	0.2100	0.2100		55,528,043	0.2100	0.2100	116,609	2008
	Health	97,852,120	0.1000	0.1000		**	**	**		
<u>Lincoln</u>										
Lincoln County Ambulance	General Revenue	602,564,012	0.2754	0.0978		625,873,906	0.2754	0.1031	645,276	
Clarence Cannon Memorial Sub Dist	General Revenue	8,684,830	0.3408	0.2000		9,064,840	0.3392	0.2000	18,130	
City of Elsberry	General Revenue	13,700,672	0.5178	0.5178		14,085,961	0.5178	0.5178	72,937	
	Cemetery	13,700,672	0.1553	0.1553		14,085,961	0.1553	0.1553	21,875	
City of Foley	General Revenue	843,096	0.6582	0.6582		847,848	0.6628	0.6628	5,620	
City of Hawk Point	General Revenue	4,469,022	0.3498	0.3498		4,578,238	0.3506	0.3506	16,051	
City of Moscow Mills	General Revenue	21,239,467	0.2487	0.2385		21,653,138	0.2487	0.2385	51,643	
	GR-Waterworks	21,239,467	0.4868	0.4671		21,653,138	0.4868	0.4671	101,142	
City of Old Monroe	General Revenue	2,912,709	0.4367	0.4367		2,963,252	0.4367	0.4367	12,941	
Village of Silex	General Revenue	1,567,279	0.2371	0.2371		1,521,188	0.2445	0.2445	3,719	
City of Troy	General Revenue	158,158,170	0.3212	0.3212		164,622,035	0.3212	0.3212	528,766	
City of Winfield	General Revenue	11,511,129	0.3666	0.3666		11,966,036	0.3666	0.3666	43,867	
Village of Truxton	General Revenue	326,450	0.4881	0.4881		303,403	0.5000	0.5000	1,517	
Village of Chain of Rocks	General Revenue	857,720	0.4360	0.4360		899,700	0.4360	0.4360	3,923	
Village of Fountain 'N Lakes	General Revenue	463,180	0.5000	0.5000		487,810	0.5000	0.5000	2,439	
Winfield-Foley Fire Protection Dist	General Revenue	82,184,083	0.2464	0.2464		86,090,939	0.2464	0.2464	212,128	
Lincoln County Fire Protection Dist	General Revenue	359,887,421	0.5366	0.5366		376,007,635	0.5366	0.5366	2,017,657	
Elsberry Fire Protection District	General Revenue	45,790,200	0.2948	0.2948		46,369,437	0.2976	0.2976	137,995	
Hawk Point Fire Protection District	General Revenue	33,100,546	0.2828	0.2828		33,741,372	0.2856	0.2856	96,365	
Old Monroe Fire Protection District	General Revenue	26,242,128	0.2903	0.2903		27,000,316	0.2903	0.2903	78,382	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Lincoln</u>										
Lincoln County Health Department	General Revenue	**	**	**		625,873,906	0.1966	0.1966	1,230,468	
Silex R-I School District	Operating Funds-Schools	27,147,740	3.4758	3.4758	E	27,946,855	3.4747	3.4747	971,069	E
	Debt Service	27,147,740	0.6679	0.6600	E	27,946,855	0.7562	0.6600	184,449	E
Elsberry R-II School District	Operating Funds-Schools	40,612,696	2.7803	2.7803	E	42,190,291	2.7986	2.7986	1,180,737	E
	Debt Service	40,612,696	1.4794	1.0500	E	42,190,291	1.4738	1.0500	442,998	E
Troy R-III School District	Operating Funds-Schools	384,132,428	2.8941	2.7500		404,781,957	2.8914	2.7500	11,131,504	
	Debt Service	384,132,428	1.2505	1.1100		404,781,957	1.5062	1.1100	4,493,080	
Winfield R-IV School District	Operating Funds-Schools	87,477,680	3.1893	3.1893	E	91,141,990	3.2015	3.2015	2,917,911	E
	Debt Service	87,477,680	0.8412	0.8412	E	91,141,990	0.9053	0.8500	774,707	E
Lincoln County	General Revenue	602,564,012	0.3343	0.1528		625,873,906	0.3343	0.1620	1,013,916	
	Road & Bridge	602,564,012	0.2557	0.2557		625,873,906	0.2557	0.2557	1,600,360	
	Health	602,564,012	0.1966	0.1966		**	**	**		
	Hospital	602,564,012	0.1672	0.1672		625,873,906	0.1672	0.1672	1,046,461	
	Senate Bill 40	602,564,012	0.0983	0.0983		625,873,906	0.0983	0.0983	615,234	
	Debt Service	602,564,012	0.1300	0.1300		625,873,906	0.1200	0.1200	751,049	
<u>Linn</u>										
Linn County Ambulance District	General Revenue	127,919,809	0.2880	0.2880		132,204,166	0.2880	0.0721	95,319	
East Yellow Creek Watershed	General Revenue	8,655,755	0.3620	0.3620		8,817,080	0.3625	0.3625	31,962	
Marceline Spec Rd Dist Linn Co	General Revenue	20,398,630	0.0994	0.0994		21,758,338	0.0996	0.0996	21,671	
	Road & Bridge	20,398,630	0.3437	0.3437		21,758,338	0.3443	0.3443	74,914	
Purdin Special Road Dist Linn Co	General Revenue	1,414,326	0.1000	0.1000		1,452,133	0.1000	0.0000	0	
	Road & Bridge	1,414,326	0.5000	0.5000		1,452,133	0.5000	0.5000	7,261	
	Special Road and Bridge	1,414,326	0.3500	0.3500	A	1,452,133	0.3500	0.3500	5,082	2010
City of Brookfield	General Revenue	36,867,343	0.6994	0.6994		36,765,590	0.7073	0.7073	260,043	
	Parks & Recreation	36,867,343	0.2000	0.2000		36,765,590	0.2000	0.2000	73,531	
	Library	36,867,343	0.3603	0.3603		36,765,590	0.3644	0.3644	133,974	
	Cemetery	36,867,343	0.1000	0.1000		36,765,590	0.1000	0.1000	36,766	
City of Browning	General Revenue	753,344	1.0000	1.0000		760,619	1.0000	1.0000	7,606	
City of Bucklin	General Revenue	2,854,070	1.0000	1.0000		2,840,354	1.0000	1.0000	28,404	
	Streets	2,854,070	0.5000	0.5000		2,840,354	0.5000	0.5000	14,202	
	Special Road and Bridge	2,854,070	0.6000	0.6000	A	2,840,354	0.6000	0.6000	17,042	2010
City of Laclede	General Revenue	2,050,590	0.7939	0.7939		2,013,608	0.8099	0.8099	16,308	
	Cemetery	2,050,590	0.0932	0.0932		2,013,608	0.0951	0.0951	1,915	
City of Linneus	General Revenue	1,287,557	0.5798	0.5798		1,365,280	0.5899	0.5899	8,054	
	Streets	1,287,557	0.3974	0.3974		1,365,280	0.4000	0.4000	5,461	
City of Marceline	General Revenue	19,809,614	0.4633	0.4633		21,110,845	0.4641	0.4641	97,975	
	Library	19,809,614	0.2087	0.2087		21,110,845	0.2091	0.2091	44,143	
City of Meadville	General Revenue	2,384,320	0.3801	0.3801		2,553,587	0.3811	0.3811	9,732	
City of Purdin	General Revenue	554,847	1.0000	1.0000		575,228	1.0000	1.0000	5,752	
Baker Township of Linn Co	General Revenue	3,227,908	0.1000	0.1000		3,289,211	0.1000	0.1000	3,289	
	Road & Bridge	3,227,908	0.5000	0.5000		3,289,211	0.5000	0.5000	16,446	
	Special Road and Bridge	3,227,908	0.3500	0.3500	A	3,289,211	0.3500	0.3500	11,512	2010
North Benton Township of Linn Co	General Revenue	1,739,111	0.0999	0.0999		1,820,356	0.0999	0.0999	1,819	
	Road & Bridge	1,739,111	0.4993	0.4993		1,820,356	0.4993	0.4993	9,089	
	Special Road and Bridge	1,739,111	0.3500	0.3500	A	1,820,356	0.3500	0.3500	6,371	2010
Brookfield Township of Linn Co	General Revenue	47,435,900	0.1000	0.1000		49,039,990	0.1000	0.1000	49,040	
	Road & Bridge	47,435,900	0.3779	0.3779		49,039,990	0.3779	0.3779	185,322	
Bucklin Township of Linn Co	General Revenue	7,578,312	0.1000	0.1000		7,738,818	0.1000	0.1000	7,739	
	Road & Bridge	7,578,312	0.4803	0.4803		7,738,818	0.4803	0.4803	37,170	
	Special Road and Bridge	7,578,312	0.3500	0.3500	A	7,738,818	0.3500	0.3500	27,086	2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Linn</u>										
Clay Township of Linn Co	General Revenue	3,647,998	0.1000	0.1000		3,807,840	0.1000	0.1000	3,808	
	Road & Bridge	3,647,998	0.5000	0.5000		3,807,840	0.5000	0.5000	19,039	
	Special Road and Bridge	3,647,998	0.3500	0.3500	A	3,807,840	0.3500	0.3500	13,327	2010
Enterprise Township of Linn Co	General Revenue	1,617,389	0.1000	0.1000		1,690,023	0.1000	0.1000	1,690	
	Road & Bridge	1,617,389	0.5000	0.5000		1,690,023	0.5000	0.5000	8,450	
	Special Road and Bridge	1,617,389	0.3500	0.3500	A	1,690,023	0.3500	0.3500	5,915	2010
Grantsville Township of Linn Co	General Revenue	3,088,546	0.1000	0.1000		3,130,960	0.1000	0.1000	3,131	
	Road & Bridge	3,088,546	0.5000	0.5000		3,130,960	0.5000	0.5000	15,655	
	Special Road and Bridge	3,088,546	0.3500	0.3500	A	3,130,960	0.3500	0.3500	10,958	2010
Jackson Township of Linn Co	General Revenue	3,586,653	0.0836	0.0836		2,892,838	0.1000	0.1000	2,893	
	Road & Bridge	3,586,653	0.4181	0.4181		2,892,838	0.5000	0.5000	14,464	
	Special Road and Bridge	3,586,653	0.3500	0.3500	A	2,892,838	0.3500	0.3500	10,125	2010
Jefferson Township of Linn Co	General Revenue	8,664,452	0.0964	0.0964		9,162,088	0.0956	0.0956	8,759	
	Road & Bridge	8,664,452	0.3760	0.3760		9,162,088	0.3729	0.3729	34,165	
	Special Road and Bridge	8,664,452	0.3500	0.3500	A	9,162,088	0.3471	0.3471	31,802	2010
Locust Creek Township of Linn Co	General Revenue	5,158,015	0.1000	0.1000		5,614,297	0.0991	0.0991	5,564	
	Road & Bridge	5,158,015	0.5000	0.5000		5,614,297	0.4957	0.4957	27,830	
	Special Road and Bridge	5,158,015	0.3500	0.3500	A	5,614,297	0.3470	0.3470	19,482	2010
Marceline Township of Linn Co	General Revenue	4,469,330	0.1000	0.1000		4,573,778	0.1000	0.1000	4,574	
	Road & Bridge	4,469,330	0.5000	0.5000		4,573,778	0.5000	0.5000	22,869	
	Special Road and Bridge	4,469,330	0.3500	0.3500	A	4,573,778	0.3500	0.3500	16,008	2010
North Salem Township of Linn Co	General Revenue	2,189,916	0.1000	0.1000		2,192,432	0.1000	0.1000	2,192	
	Road & Bridge	2,189,916	0.5000	0.5000		2,192,432	0.5000	0.5000	10,962	
	Special Road and Bridge	2,189,916	0.3500	0.3500	A	2,192,432	0.3500	0.3500	7,674	2010
Parson Creek Township of Linn Co	General Revenue	8,896,632	0.0854	0.0854		7,694,009	0.1000	0.1000	7,694	
	Road & Bridge	8,896,632	0.4006	0.4006		7,694,009	0.4699	0.4699	36,154	
	Special Road and Bridge	8,896,632	0.3500	0.3500	A	7,694,009	0.3500	0.3500	26,929	2010
Yellow Creek Township of Linn Co	General Revenue	4,806,691	0.1000	0.1000		6,347,055	0.0817	0.0817	5,186	
	Road & Bridge	4,806,691	0.4560	0.4560		6,347,055	0.3726	0.3726	23,649	
	Special Road and Bridge	4,806,691	0.3500	0.3500	A	6,347,055	0.2859	0.2859	18,146	2010
Laclede Community Fire Prot Dist	General Revenue	8,664,452	0.2463	0.2463		9,162,088	0.2443	0.2443	22,383	
Linneus Fire Protection District	General Revenue	9,286,338	0.2294	0.2294		8,147,319	0.3000	0.3000	24,442	
Linn County Health Department	General Revenue	**	**	**		132,204,166	0.2384	0.2000	264,408	
Linn Co R-I School District	Operating Funds-Schools	14,708,465	4.2804	3.4123		14,939,874	4.2387	4.2387	633,256	E
Bucklin R-II School District	Operating Funds-Schools	9,695,562	4.4000	4.4000	E	9,721,076	4.4000	4.4000	427,727	E
Meadville R-IV School District	Operating Funds-Schools	13,083,239	4.8699	3.8600		13,083,239	4.9228	3.8700	506,321	
	Debt Service	13,083,239	1.0284	1.0200		13,083,239	1.0284	1.0200	133,449	
Marceline R-V School District	Operating Funds-Schools	33,037,706	4.1881	3.9296	E	34,762,244	4.0799	4.0799	1,418,265	E
	Debt Service	33,037,706	0.2704	0.2704	E	34,762,244	0.8814	0.2701	93,893	E
Brookfield R-III School District	Operating Funds-Schools	54,595,179	3.4176	3.4176	E	56,555,335	3.3839	3.3839	1,913,776	E
	Debt Service	54,595,179	1.1541	0.3900	E	56,555,335	1.1272	0.4200	237,532	E
Linn County	General Revenue	127,919,809	0.3575	0.0725		132,204,166	0.3575	0.0725	95,848	
	Health	127,919,809	0.2384	0.2000		**	**	**		
	Senate Bill 40	127,919,809	0.1986	0.1986		132,204,166	0.1986	0.1986	262,557	
	Senior Services	127,919,809	0.0500	0.0500	A	132,204,166	0.0500	0.0500	66,102	
<u>Livingston</u>										
Livingston County Ambulance Dist	General Revenue	155,215,456	0.2983	0.1300		156,003,538	0.2992	0.1300	202,805	
Livingston County Nursing Home Dist	General Revenue	155,215,456	0.1500	0.1500		156,003,538	0.1500	0.1500	234,005	
City of Chillicothe	General Revenue	90,159,184	0.6374	0.6374		89,651,256	0.6451	0.6451	578,340	
	Parks & Recreation	90,159,184	0.1791	0.1791		89,651,256	0.1813	0.1813	162,538	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Livingston</u>									
City of Chillicothe	Temp Gen Indus Imp	90,159,184	0.2788	0.0000	89,651,256	0.2822	0.0000	0	
City of Chula	General Revenue	820,625	1.0000	1.0000	889,561	1.0000	1.0000	8,896	
Village of Ludlow	General Revenue	581,181	0.9803	0.9803	574,946	0.9909	0.9909	5,697	
Village of Mooresville	General Revenue	561,990	0.5300	0.5300	561,980	0.5300	0.5300	2,978	
City of Wheeling	General Revenue	868,453	0.7500	0.7500	1,059,172	0.6631	0.6631	7,023	
Livingston County Memorial Library	General Revenue	155,215,456	0.2673	0.2673	156,003,538	0.2681	0.2681	418,245	
	Debt Service	**	**	**	156,003,538	0.1777	0.1777	277,218	
Blue Mound Township Livingston Co	General Revenue	5,246,619	0.1000	0.1000	5,137,582	0.1000	0.1000	5,138	
	Road & Bridge	5,246,619	0.4684	0.4684	5,137,582	0.4845	0.4845	24,892	
	Special Road and Bridge	5,246,619	0.3300	0.3300	A 5,137,582	0.3300	0.3300	16,954	2010
Chillicothe Township, Livingston Co	General Revenue	104,150,901	0.0985	0.0985	103,884,460	0.0995	0.0995	103,365	
	Road & Bridge	104,150,901	0.2709	0.2709	103,884,460	0.2738	0.2738	284,436	
Cream Ridge Township, Livingston Co	General Revenue	5,540,844	0.1000	0.1000	5,654,185	0.1000	0.1000	5,654	
	Road & Bridge	5,540,844	0.4214	0.4214	5,654,185	0.4214	0.4214	23,827	
	Special Road and Bridge	5,540,844	0.2472	0.2472	5,654,185	0.2472	0.2472	13,977	2009
Grand River Township, Livingston Co	General Revenue	3,511,215	0.0948	0.0948	3,645,690	0.0948	0.0948	3,456	
	Road & Bridge	3,511,215	0.3894	0.3894	3,645,690	0.5000	0.5000	18,228	
	Special Road and Bridge	3,511,215	0.3500	0.3500	3,645,690	0.3500	0.3500	12,760	2008
Green Township of Livingston Co	General Revenue	3,524,277	0.1000	0.1000	3,638,977	0.1000	0.1000	3,639	
	Road & Bridge	3,524,277	0.5000	0.5000	3,638,977	0.5000	0.5000	18,195	
Jackson Township of Livingston Co	General Revenue	6,492,663	0.1000	0.1000	6,527,526	0.1000	0.1000	6,528	
	Road & Bridge	6,492,663	0.2957	0.2957	6,527,526	0.2981	0.2981	19,459	
	Special Road and Bridge	6,492,663	0.3400	0.3400	A 6,527,526	0.3400	0.3400	22,194	2010
Medicine Township of Livingston Co	General Revenue	1,774,286	0.1000	0.1000	1,771,152	0.1000	0.1000	1,771	
	Road & Bridge	1,774,286	0.4160	0.4160	1,771,152	0.4185	0.4185	7,412	
	Special Road and Bridge	1,774,286	0.3000	0.3000	A 1,771,152	0.3000	0.3000	5,313	2010
Monroe Township of Livingston Co	General Revenue	3,593,844	0.0992	0.0992	3,626,569	0.0992	0.0992	3,598	
	Road & Bridge	3,593,844	0.4632	0.4632	3,626,569	0.4633	0.4633	16,802	
	Special Road and Bridge	3,593,844	0.3500	0.3500	3,626,569	0.3500	0.3500	12,693	2008
Mooresville Township Livingston Co	General Revenue	2,856,892	0.1000	0.1000	2,963,129	0.1000	0.1000	2,963	
	Road & Bridge	2,856,892	0.5000	0.5000	2,963,129	0.5000	0.5000	14,816	
	Special Road and Bridge	2,856,892	0.3500	0.3500	2,963,129	0.3500	0.3500	10,371	2008
Rich Hill Township of Livingston Co	General Revenue	6,624,199	0.1000	0.1000	6,794,780	0.1000	0.1000	6,795	
	Road & Bridge	6,624,199	0.4445	0.4445	6,794,780	0.4445	0.4445	30,203	
	Special Road and Bridge	6,624,199	0.3354	0.3354	A 6,794,780	0.3354	0.3354	22,790	2010
Sampsel Township of Livingston Co	General Revenue	3,821,752	0.1000	0.1000	3,808,116	0.1000	0.1000	3,808	
	Road & Bridge	3,821,752	0.4560	0.4560	3,808,116	0.4612	0.4612	17,563	
	Special Road and Bridge	3,821,752	0.2500	0.2500	3,808,116	0.2500	0.2500	9,520	2009
Wheeling Township of Livingston Co	General Revenue	3,317,535	0.1000	0.1000	3,500,232	0.0995	0.0995	3,483	
	Road & Bridge	3,317,535	0.5000	0.5000	3,500,232	0.4976	0.4976	17,417	
	Special Road and Bridge	3,317,535	0.3500	0.3500	3,500,232	0.3483	0.3483	12,191	2008
Fairview Township of Livingston Co	General Revenue	4,760,429	0.1000	0.1000	5,046,303	0.0990	0.0990	4,996	
	Road & Bridge	4,760,429	0.4215	0.4215	5,046,303	0.4174	0.4174	21,063	
	Special Road and Bridge	4,760,429	0.3500	0.3500	5,046,303	0.3466	0.3466	17,490	2008
Green Township Fire District	General Revenue	3,524,277	0.3000	0.3000	3,638,977	0.5500	0.5500	20,014	
Mooresville Township Fire Prot Dist	General Revenue	2,856,892	0.3000	0.3000	2,963,129	0.3000	0.3000	8,889	
Livingston County Health Center	General Revenue	**	**	**	156,003,538	0.2476	0.2476	386,265	
Southwest Livingston Co R-I Sch Dis	Operating Funds-Schools	9,460,292	4.4700	4.4700	E 9,867,702	4.4700	4.4700	441,086	E
Livingston Co R-III School Dist	Operating Funds-Schools	5,671,863	5.1338	4.4318	5,843,611	5.1283	4.4966	262,764	
Chillicothe R-II School District	Operating Funds-Schools	125,502,022	3.5671	3.2969	E 128,735,673	3.5694	3.5630	4,586,852	E
	Capital Projects	125,502,022	0.1200	0.0000	E 128,735,673	0.1200	0.1200	154,483	E 2023

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Livingston</u>										
Chillicothe R-II School District	Debt Service	125,502,022	0.8505	0.4500	E	128,735,673	0.8405	0.5000	643,678	E
Livingston County	General Revenue	155,215,456	0.3291	0.0000		156,003,538	0.3301	0.0000	0	
	Developmentally Disabled	155,215,456	0.1000	0.1000		156,003,538	0.1000	0.1000	156,004	
<u>McDonald</u>										
City of Anderson	General Revenue	10,759,546	0.2156	0.2156		10,210,390	0.2280	0.2280	23,280	
	General Revenue-Temp	10,759,546	0.3329	0.3329		**	**	**		2007
	General Revenue-Temp	**	**	**		10,210,390	0.3500	0.3500	35,736	A 2012
City of Goodman	General Revenue	7,617,986	0.5792	0.5792		7,870,258	0.6083	0.0000	0	
City of Lanagan	General Revenue	1,556,143	0.5671	0.5671		1,396,754	0.6445	0.6445	9,002	
City of Pineville	General Revenue	6,092,969	0.4385	0.4385		6,037,859	0.4503	0.4503	27,188	
City of Southwest City	General Revenue	17,469,201	0.6500	0.6500		12,183,516	0.6500	0.6500	79,193	
	Debt Service	17,469,201	0.1632	0.1632		12,183,516	0.1759	0.1759	21,431	
McDonald County Library	General Revenue	383,071,848	0.0987	0.0987		229,207,242	0.1000	0.0987	226,228	
Goodman Area Fire Protection Dist	General Revenue	24,659,571	0.2848	0.1500		25,108,578	0.2962	0.2962	74,372	
McDonald Co R-I School District	Operating Funds-Schools	341,170,813	2.7500	2.7500	F	200,806,313	2.8500	2.7500	5,522,174	F
	Debt Service	341,170,813	0.7914	0.6700	F	200,806,313	1.0420	0.6700	1,345,402	F
McDonald County	Road & Bridge	383,071,848	0.2196	0.0000		229,207,242	0.3500	0.0000	0	
<u>Macon</u>										
Macon County Ambulance District	General Revenue	173,211,803	0.1441	0.1441		176,819,003	0.1441	0.1441	254,796	
Samaritan Memorial Hospital	General Revenue	173,211,803	0.1922	0.1922		176,819,003	0.1922	0.1922	339,846	
La Plata Nursing Home District	General Revenue	37,098,681	0.1465	0.1465		37,946,331	0.1465	0.1465	55,591	
Macon County Nursing Home District	Maintenance	139,402,488	0.1436	0.1436		142,393,442	0.1436	0.1436	204,477	
Hudson Spec Rd Dist Macon Co	Road & Bridge	75,111,183	0.2747	0.2747		76,086,262	0.2753	0.2753	209,465	
	Special Road and Bridge	75,111,183	0.1880	0.1880		76,086,262	0.1884	0.1884	143,347	2008
La Plata Spec Rd Dist Macon Co	Road & Bridge	13,273,058	0.3093	0.3093		13,576,872	0.3093	0.3093	41,993	
	Special Road District	13,273,058	0.3467	0.3467		**	**	**		2007
	Special Road and Bridge	**	**	**		13,576,872	0.3500	0.3500	47,519	A 2011
City of Atlanta	General Revenue	1,829,905	0.9700	0.9700		1,744,840	1.0000	1.0000	17,448	
City of Bevier	General Revenue	3,178,757	0.7558	0.7558		3,297,016	0.7558	0.7558	24,919	
	Lights	3,178,757	0.2685	0.2685		3,297,016	0.2685	0.2685	8,852	
City of Callao	General Revenue	1,106,544	0.9959	0.9959		1,138,342	0.9959	0.9959	11,337	
	Debt Service	1,106,544	1.3190	1.3190		1,138,342	1.3001	1.3001	14,800	
City of Elmer	General Revenue	364,130	0.9999	0.9999		341,910	1.0000	1.0000	3,419	
City of Ethel	General Revenue	351,099	0.8345	0.8345		347,821	0.8424	0.8424	2,930	
City of La Plata	General Revenue	8,875,853	0.8070	0.8070		9,126,899	0.8070	0.8070	73,654	
	Parks & Recreation	8,875,853	0.1848	0.1848		9,126,899	0.1848	0.1848	16,867	
	Library	8,875,853	0.1848	0.1848		9,126,899	0.1848	0.1848	16,867	
City of Macon	General Revenue	58,272,170	0.5707	0.5707		58,550,188	0.5765	0.5765	337,542	
	Library	58,272,170	0.2283	0.2283		58,550,188	0.2306	0.2306	135,017	
City of New Cambria	General Revenue	996,007	0.9349	0.9349		998,250	0.9355	0.9355	9,339	
Village of South Gifford	General Revenue	90,527	0.5000	0.5000		92,661	0.5000	0.5000	463	
La Plata Community Fire Prot Dist	General Revenue	27,011,098	0.4425	0.4425		27,653,397	0.4425	0.4425	122,366	
Macon County Health Department	General Revenue	**	**	**		176,819,003	0.1441	0.1441	254,796	
Atlanta C-3 School District	Operating Funds-Schools	12,531,651	4.0475	3.4399	E	12,725,459	3.9757	3.6399	463,194	E
Bevier C-4 School District	Operating Funds-Schools	10,773,807	3.8729	2.8470		11,028,204	3.9591	3.0973	341,577	
La Plata R-II School District	Operating Funds-Schools	21,790,277	3.4942	3.4942	E	22,354,181	3.4795	3.4795	777,814	E
	Debt Service	21,790,277	1.7637	1.3006	E	22,354,181	1.5468	1.3002	290,649	E
Macon Co R-I School District	Operating Funds-Schools	90,467,754	3.3355	3.3355	E	91,866,837	3.2859	3.2859	3,018,652	E
Callao C-8 School District	Operating Funds-Schools	5,174,195	5.4994	4.4303		5,197,303	5.4733	4.7543	247,095	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Macon</u>									
Macon Co R-IV School District	Operating Funds-Schools	10,480,040	4.8500	4.2871	10,555,490	4.8341	4.2859	452,398	2010
Macon County	General Revenue	173,211,803	0.4160	0.2172	176,819,003	0.4160	0.2235	395,190	
	Common Road District	84,827,566	0.3203	0.3203	87,153,360	0.3203	0.3203	279,152	
	Special Road and Bridge	84,827,566	0.3500	0.3500	A 87,153,360	0.3500	0.3500	305,037	
	Health	173,211,803	0.1441	0.1441	**	**	**		
	Developmentally Disabled	173,211,803	0.0961	0.0961	176,819,003	0.0961	0.0961	169,923	
<u>Madison</u>									
Madison County Ambulance District	General Revenue	**	**	**	109,970,654	0.3000	0.3000	329,912	A
Village of Cobalt City	General Revenue	1,001,960	0.1918	0.1918	949,550	0.2027	0.1918	1,821	
City of Fredericktown	General Revenue	32,057,971	0.6893	0.6893	32,518,588	0.6911	0.6911	224,736	
	Parks & Recreation	32,057,971	0.1195	0.1195	32,518,588	0.1198	0.1198	38,957	
Village of Junction City	General Revenue	2,145,810	0.2267	0.2267	2,112,680	0.2303	0.2267	4,789	
City of Marquand	General Revenue	1,165,064	0.8342	0.8342	1,159,733	0.8380	0.8380	9,719	
Madison County Health Department	General Revenue	**	**	**	109,970,654	0.0952	0.0952	104,692	
Marquand-Zion R-VI School District	Operating Funds-Schools	9,888,025	3.6551	3.4300	BE 10,344,198	3.6630	3.6500	377,563	E
	Debt Service	9,888,025	0.5049	0.5049	E 10,344,198	0.5312	0.3000	31,033	E
Fredericktown R-I School District	Operating Funds-Schools	88,516,421	3.2000	3.2000	E 91,231,062	3.1844	3.1844	2,905,162	E
Madison County	General Revenue	107,825,695	0.3848	0.1531	109,970,654	0.3848	0.1531	168,365	
	Library	107,825,695	0.0952	0.0952	109,970,654	0.0952	0.0952	104,692	
	Road & Bridge	107,825,695	0.2762	0.2762	109,970,654	0.2762	0.2762	303,739	
	Health	107,825,695	0.0952	0.0952	**	**	**		
	Hospital	107,825,695	0.1874	0.1874	109,970,654	0.1874	0.1874	206,085	
	Senate Bill 40	107,825,695	0.1874	0.1874	109,970,654	0.1874	0.1874	206,085	
<u>Maries</u>									
Maries-Osage Ambulance District	General Revenue	77,665,384	0.1783	0.1783	77,425,739	0.1812	0.1812	140,295	
Ozark Central Ambulance District	General Revenue	69,096,966	0.2640	0.2632	69,890,175	0.2664	0.2664	186,187	
Belle Special Road Dist No. 6	Road & Bridge	10,992,680	0.2286	0.2286	11,288,005	0.2286	0.2286	25,804	
Spec Rd Dist No 8, Maries County	Road & Bridge	6,967,923	0.2135	0.2135	6,519,959	0.2285	0.2285	14,898	
City of Vienna	General Revenue	6,781,410	0.5733	0.5733	6,308,574	0.6163	0.6163	38,880	
City of Belle	General Revenue	11,094,956	0.6928	0.6928	11,310,205	0.6928	0.6928	78,357	
	Parks & Recreation	11,094,956	0.1506	0.1506	11,310,205	0.1506	0.1506	17,033	
Maries County Library	General Revenue	108,181,520	0.1543	0.1543	107,757,209	0.1568	0.1568	168,963	
Maries Co R-I School District	Operating Funds-Schools	41,596,720	3.1955	3.1372	E 41,646,263	3.2106	3.2106	1,337,095	E
	Debt Service	41,596,720	0.5731	0.4807	E 41,646,263	0.6127	0.4073	169,625	E
Maries Co R-II School District	Operating Funds-Schools	54,101,892	3.3285	3.1100	E 55,455,879	3.2849	3.2849	1,821,670	E
Maries County	General Revenue	108,181,520	0.4534	0.3375	107,757,209	0.4608	0.3449	371,655	
	Road #1	47,738,473	0.2624	0.2624	47,674,629	0.2664	0.2664	127,005	
	Road #2	44,185,371	0.2339	0.2339	44,187,608	0.2374	0.2374	104,901	
<u>Marion</u>									
Marion County Ambulance District	General Revenue	347,611,861	0.2289	0.0000	353,830,814	0.2289	0.0000	0	
	Pension	347,611,861	0.0487	0.0487	353,830,814	0.0487	0.0487	172,316	
Marion Co Nursing Home District	General Revenue	343,396,408	0.1446	0.1446	346,630,373	0.1447	0.1447	501,574	
City of Hannibal	General Revenue	172,966,202	0.7533	0.7533	188,469,714	0.7550	0.7550	1,422,946	
	Library	172,966,202	0.2948	0.2948	188,469,714	0.2955	0.2955	556,928	
	Police & Fire	172,966,202	0.1324	0.1324	188,469,714	0.1327	0.1327	250,099	
City of Palmyra	General Revenue	35,959,480	0.6017	0.6017	36,158,351	0.6017	0.6017	217,565	
Marion County Health Department	General Revenue	**	**	**	346,630,373	0.1447	0.1447	501,574	
Marion Co R-II School District	Operating Funds-Schools	12,065,702	4.2092	3.7000	E 12,214,422	4.2291	4.2000	513,006	E
	Debt Service	12,065,702	0.2238	0.2000	E 12,214,422	0.2717	0.2000	24,429	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Marion</u>										
Palmyra R-I School District	Operating Funds-Schools	116,585,500	2.9334	2.9334	E	117,987,160	3.7500	3.7500	4,424,518	BE
	Debt Service	116,585,500	1.3598	0.5800	E	117,987,160	1.0015	0.5800	684,326	E
Hannibal 60 School District	Operating Funds-Schools	243,547,730	3.5007	2.9236		251,892,513	3.4910	3.3163	8,353,511	
	Debt Service	243,547,730	0.6282	0.4600		251,892,513	0.9066	0.4600	1,158,706	
Marion County	General Revenue	343,396,408	0.4297	0.0950		346,630,373	0.4301	0.0950	329,299	
	Road & Bridge	343,396,408	0.3223	0.3223		346,630,373	0.3226	0.3223	1,117,190	
	Health	343,396,408	0.1446	0.1446		**	**	**		
	Senate Bill 40	343,396,408	0.1349	0.1349		346,630,373	0.1350	0.1350	467,951	
<u>Mercer</u>										
Mercer County Ambulance District	General Revenue	56,349,846	0.3300	0.3300		58,678,195	0.3300	0.3300	193,638	
City of Mercer	General Revenue	1,728,949	0.7383	0.7383		1,848,814	0.7383	0.7383	13,650	
	Streets	1,728,949	0.4114	0.4114		1,848,814	0.4114	0.4114	7,606	
City of Princeton	General Revenue	7,728,662	0.9039	0.9039		8,039,277	0.9039	0.9039	72,667	
	Band	7,728,662	0.1000	0.1000		8,039,277	0.1000	0.1000	8,039	
Village of South Lineville	General Revenue	283,310	0.4053	0.4053		270,157	0.4249	0.4249	1,148	
Mercer County Library	General Revenue	56,349,846	0.2000	0.2000		58,678,195	0.2000	0.2000	117,356	
Harrison Township of Mercer Co	General Revenue	2,854,890	0.1000	0.1000		2,899,196	0.1000	0.1000	2,899	
	Road & Bridge	2,854,890	0.5000	0.5000		2,899,196	0.5000	0.5000	14,496	
	Special Road and Bridge	2,854,890	0.3500	0.3500	A	2,899,196	0.3500	0.3500	10,147	2010
Lindley Township of Mercer Co	General Revenue	2,449,667	0.1000	0.1000		2,405,305	0.1000	0.1000	2,405	
	Road & Bridge	2,449,667	0.5000	0.5000		2,405,305	0.5000	0.5000	12,027	
	Special Road and Bridge	2,449,667	0.3500	0.3500	A	2,405,305	0.3500	0.3500	8,419	2010
Madison Township of Mercer Co	General Revenue	2,481,356	0.1000	0.1000		2,421,417	0.1000	0.1000	2,421	
	Road & Bridge	2,481,356	0.5000	0.5000		2,421,417	0.5000	0.5000	12,107	
	Special Road and Bridge	2,481,356	0.3500	0.3500	A	2,421,417	0.3500	0.3500	8,475	2010
Marion Township of Mercer Co	General Revenue	7,776,608	0.1000	0.1000		8,178,706	0.1000	0.1000	8,179	
	Road & Bridge	7,776,608	0.4305	0.4305		8,178,706	0.4305	0.4305	35,209	
	Special Road and Bridge	7,776,608	0.3500	0.3500	A	8,178,706	0.3500	0.3500	28,625	2010
Medicine Township of Mercer Co	General Revenue	2,934,606	0.1000	0.1000		3,151,894	0.1000	0.1000	3,152	
	Road & Bridge	2,934,606	0.5000	0.5000		3,151,894	0.5000	0.5000	15,759	
	Special Road and Bridge	2,934,606	0.3500	0.3500	A	3,151,894	0.3500	0.3500	11,032	2010
Morgan Township of Mercer Co	General Revenue	18,702,496	0.1000	0.1000		19,716,050	0.1000	0.1000	19,716	
	Road & Bridge	18,702,496	0.3500	0.3500		19,716,050	0.3500	0.3500	69,006	
Ravanna Township of Mercer Co	General Revenue	7,915,825	0.1000	0.1000		8,625,175	0.1000	0.1000	8,625	
	Road & Bridge	7,915,825	0.5000	0.5000		8,625,175	0.5000	0.5000	43,126	
	Special Road and Bridge	7,915,825	0.3500	0.3500	A	8,625,175	0.3500	0.3500	30,188	2010
Somerset Township of Mercer Co	General Revenue	6,108,495	0.1000	0.1000		5,861,233	0.1000	0.1000	5,861	
	Road & Bridge	6,108,495	0.5000	0.5000		5,861,233	0.5000	0.5000	29,306	
	Special Road and Bridge	6,108,495	0.3500	0.3500	A	5,861,233	0.3500	0.3500	20,514	2010
Washington Township of Mercer Co	General Revenue	5,125,903	0.1000	0.1000		5,419,218	0.1000	0.1000	5,419	
	Road & Bridge	5,125,903	0.5000	0.5000		5,419,218	0.5000	0.5000	27,096	
	Special Road and Bridge	5,125,903	0.3500	0.3500	A	5,419,218	0.3500	0.3500	18,967	2010
Mercer County Fire Protection Dist	General Revenue	32,316,378	0.3000	0.3000		34,261,418	0.3000	0.3000	102,784	
Mercer Fire Protection District	General Revenue	15,379,372	0.3000	0.3000		15,658,900	0.3000	0.3000	46,977	
Mercer County Health Department	General Revenue	**	**	**		58,678,195	0.3000	0.3000	176,035	
North Mercer Co R-III School Dist	Operating Funds-Schools	13,576,586	5.2500	4.5500		13,714,781	5.2500	4.6822	642,153	
	Debt Service	13,576,586	0.7684	0.5300		13,714,781	0.7728	0.4678	64,158	
Princeton R-V School District	Operating Funds-Schools	33,031,670	4.5020	4.5020	F	34,728,998	4.4524	3.6611	1,271,463	
	Debt Service	33,031,670	1.1993	0.6900	F	34,728,998	1.0966	1.0966	380,838	
Mercer Countv	General Revenue	56,349,846	0.4000	0.3000		58,678,195	0.4000	0.2400	140,828	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Mercer</u>									
Mercer County	Road & Bridge	56,349,846	0.1500	0.0000	58,678,195	0.1500	0.0000	0	
	Health	56,349,846	0.3000	0.3000	**	**	**		
	Senior Services	**	**	**	58,678,195	0.0500	0.0500	29,339	A
<u>Miller</u>									
Miller County Ambulance District	General Revenue	242,533,399	0.1417	0.0000	249,742,872	0.1419	0.0000	0	
Miller County Nursing Home District	General Revenue	357,236,446	0.1084	0.1084	373,930,313	0.1086	0.1086	406,088	
	Debt Service	357,236,446	0.0503	0.0503	373,930,313	0.0559	0.0559	209,027	
Bagnell Spec Rd Dist Miller Co	Road & Bridge	97,527,991	0.1673	0.1673	105,356,269	0.1678	0.1678	176,788	
Kaiser Special Road Dist Miller Co	Road & Bridge	66,982,433	0.1693	0.1693	70,770,188	0.1693	0.1693	119,814	
City of Bagnell	General Revenue	613,168	0.3979	0.3979	618,194	0.4007	0.4007	2,477	
Village of Brumley	General Revenue	440,109	0.3902	0.3902	447,146	0.3910	0.3910	1,748	
City of Iberia	General Revenue	5,114,177	0.4488	0.4488	5,027,379	0.4584	0.4584	23,046	
Village of Olean	General Revenue	599,477	0.2926	0.2926	580,452	0.3022	0.3022	1,754	
Village of St. Elizabeth	General Revenue	3,662,816	0.2152	0.2152	3,740,086	0.2160	0.2160	8,079	
Village of Tuscumbia	General Revenue	1,278,344	0.3158	0.3158	1,423,741	0.2994	0.2994	4,263	
City of Lake Ozark	General Revenue	75,979,590	0.2342	0.2342	72,204,869	0.2516	0.2516	181,667	
Miller County Library	General Revenue	357,236,446	0.1192	0.1192	373,930,313	0.1195	0.1195	446,847	
Lake Ozark Fire Protection District	General Revenue	390,808,125	0.5532	0.5532	409,928,885	0.5533	0.5533	2,268,137	
	Ambulance	390,808,125	0.2676	0.2676	409,928,885	0.2676	0.2676	1,096,970	
	Debt Service	390,808,125	0.0606	0.0606	409,928,885	0.0438	0.0438	179,549	
Brumley Fire Protection District	General Revenue	19,064,285	0.2871	0.2871	19,610,400	0.2871	0.2871	56,301	
Tuscumbia Fire Protection District	General Revenue	9,635,124	0.2917	0.2917	9,875,178	0.2917	0.2917	28,806	
Moreau Fire Protection Dist #2	General Revenue	102,868,951	0.2528	0.2528	106,305,914	0.2541	0.2541	270,123	
St. Elizabeth Fire Protection Dist	General Revenue	11,430,087	0.2783	0.2783	11,605,587	0.2795	0.2795	32,438	
Iberia Fire Protection District	General Revenue	29,136,005	0.2853	0.2856	D 29,218,236	0.2888	0.2878	84,090	
Miller County Health Center	General Revenue	**	**	**	373,930,313	0.1378	0.1378	515,276	
Eldon R-I School District	Operating Funds-Schools	171,529,569	2.8155	2.8155	E 176,503,963	2.8869	2.8869	5,095,493	E
	Debt Service	171,529,569	0.5126	0.5100	E 176,503,963	0.9235	0.5100	900,170	E
Miller Co R-III School District	Operating Funds-Schools	10,193,295	3.7087	3.4300	E 10,791,652	3.7451	3.7000	399,291	E
	Debt Service	10,193,295	0.7263	0.0000	E **	**	**		
St. Elizabeth R-IV School District	Operating Funds-Schools	13,442,816	3.4658	3.4300	E 13,691,150	3.4921	3.4921	478,109	E
	Debt Service	13,442,816	0.6027	0.0000	E 13,691,150	0.6784	0.0000	0	E
School of the Osage R-II Sch Dist	Operating Funds-Schools	484,967,637	2.5899	2.4000	510,701,236	2.7500	2.4000	12,256,830	
	Debt Service	484,967,637	0.5565	0.3200	510,701,236	0.5039	0.3200	1,634,244	
Iberia R-V School District	Operating Funds-Schools	30,917,953	3.4168	3.4100	E 31,397,060	3.4596	3.4596	1,086,213	E
Miller County	General Revenue	357,236,446	0.2465	0.0076	373,930,313	0.2470	0.0300	112,179	
	Road & Bridge	192,918,320	0.2368	0.2368	197,776,880	0.2380	0.2380	470,709	
	Health	357,236,446	0.1375	0.1375	**	**	**		
	Developmentally Disabled	357,236,446	0.0789	0.0789	373,930,313	0.0791	0.0791	295,779	
	Senior Services	357,236,446	0.0458	0.0458	373,930,313	0.0459	0.0459	171,634	
<u>Mississippi</u>									
Mississippi County Ambulance Dist	General Revenue	131,532,931	0.2980	0.2980	134,392,978	0.2980	0.2980	400,491	
City of Anniston	General Revenue	783,194	0.5961	0.5961	768,068	0.6079	0.6079	4,669	
City of Bertrand	General Revenue	3,410,937	0.5241	0.5241	3,487,653	0.5241	0.5241	18,279	
City of Charleston	General Revenue	28,583,565	0.7796	0.7000	29,269,185	0.7796	0.7000	204,884	
	Parks & Recreation	28,583,565	0.1952	0.1800	29,269,185	0.1952	0.1800	52,685	
City of East Prairie	General Revenue	16,042,203	0.7346	0.7346	16,577,380	0.7346	0.7346	121,777	
Village of Wilson City	General Revenue	179,412	0.4247	0.4247	185,915	0.4249	0.4249	790	
City of Wvatt	General Revenue	1,704,106	0.7334	0.7334	1,735,431	0.7334	0.7334	12,728	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Mississippi</u>										
Mississippi County Library	General Revenue	131,532,931	0.2040	0.2040		134,392,978	0.2040	0.2040	274,162	
Mississippi (Scott) Fire Prot Dist	General Revenue	58,523,514	0.2994	0.1300		60,307,764	0.2994	0.1300	78,400	
Mississippi County Senate Bill 40	General Revenue	131,532,931	0.1224	0.1224		134,392,978	0.1224	0.1224	164,497	
Mississippi County Health Dept	General Revenue	**	**	**		134,392,978	0.0994	0.0994	133,587	
East Prairie R-II School District	Operating Funds-Schools	51,420,920	2.8910	2.7500	F	53,872,755	2.8768	2.7500	1,481,501	F
	Debt Service	51,420,920	0.3967	0.3500	F	53,872,755	0.8158	0.3500	188,555	F
Charleston R-I School District	Operating Funds-Schools	68,358,305	2.8059	2.7500	E	69,296,310	3.0399	2.7500	1,905,649	E
Mississippi County	General Revenue	131,532,931	0.4692	0.3021		134,392,978	0.4692	0.3050	409,899	
	Johnson Grass	131,532,931	0.0496	0.0496		134,392,978	0.0496	0.0496	66,659	
	Road & Bridge	131,532,931	0.3477	0.3477		134,392,978	0.3477	0.3477	467,284	
	Health	131,532,931	0.0994	0.0994		**	**	**		
<u>Moniteau</u>										
Mid Mo Ambulance District	General Revenue	473,589,337	0.1633	0.1000		478,857,127	0.1639	0.0500	239,429	
City of California	General Revenue	44,243,996	0.3653	0.3653		44,220,148	0.3677	0.3677	162,597	
	Parks & Recreation	44,243,996	0.1442	0.1442		44,220,148	0.1451	0.1451	64,163	
City of Clarksburg	General Revenue	1,486,071	0.9628	0.9628		1,492,027	0.9628	0.9628	14,365	
City of Jamestown	General Revenue	2,869,346	0.8528	0.8528		2,895,521	0.8528	0.8528	24,693	
City of Lupus	General Revenue	233,177	0.9456	0.8300		244,618	0.9456	0.8300	2,030	
City of Tipton	General Revenue	23,209,452	0.6829	0.6829		23,567,987	0.6905	0.6905	162,737	
	Debt Service	23,209,452	0.2971	0.2971		23,567,987	0.0803	0.0803	18,925	
Moniteau Co Library Subdistrict Two	General Revenue	46,043,818	0.1167	0.1167		46,665,714	0.1178	0.1178	54,972	
Moniteau Co Lib Subdist-California	General Revenue	44,243,996	0.0954	0.0954		44,220,148	0.0960	0.0960	42,451	
California Rural Fire Prot Dist	General Revenue	42,104,164	0.1926	0.1926		42,210,271	0.1939	0.1939	81,846	
Fortuna Fire Protection District	General Revenue	31,504,771	0.2798	0.2798		32,036,642	0.2821	0.2821	90,375	
Tipton Rural Fire Protection Dist	Fire	12,111,815	0.2483	0.2483		12,442,383	0.2483	0.2483	30,894	
Jamestown Rural Fire Prot Dist	General Revenue	15,409,887	0.2878	0.2878		15,900,237	0.2878	0.2878	45,761	
	Debt Service	15,409,887	0.2867	0.1900		15,900,237	0.3342	0.1900	30,210	
Moniteau County Health Center	General Revenue	**	**	**		167,496,987	0.2334	0.1500	251,245	
Moniteau Co R-I School District	Operating Funds-Schools	76,740,021	2.8948	2.8873	E	77,698,490	2.8762	2.8762	2,234,764	E
	Debt Service	76,740,021	1.0081	0.9327	E	77,698,490	1.5614	0.9438	733,318	E
High Point R-III School District	Operating Funds-Schools	8,745,673	3.4010	3.4010	E	9,008,752	3.4375	3.4375	309,676	E
Moniteau Co R-V School District	Operating Funds-Schools	7,259,909	3.7500	3.6000	BE	7,444,578	3.7749	3.6000	268,005	E
Tipton R-VI School District	Operating Funds-Schools	41,952,250	2.8784	2.8784	E	42,614,079	2.8934	2.8934	1,232,996	E
	Debt Service	41,952,250	2.0594	0.9700	E	42,614,079	2.0906	0.9550	406,964	E
Moniteau Co C-1 School District	Operating Funds-Schools	13,257,526	3.7040	3.7040	E	13,668,571	3.7472	3.7472	512,189	E
	Debt Service	13,257,526	1.0295	0.9960	E	13,668,571	1.0219	0.9528	130,234	E
Clarksburg C-2 School District	Operating Funds-Schools	6,057,885	3.6108	3.4300	E	6,265,983	3.6251	3.6251	227,148	E
	Debt Service	**	**	**		6,265,983	1.2556	0.6300	39,476	E
Moniteau County	General Revenue	165,756,021	0.3306	0.1765		167,496,987	0.3306	0.1795	300,657	
	Common Road District	165,756,021	0.2431	0.2431		167,496,987	0.2431	0.2431	407,185	
	Health	165,756,021	0.2334	0.1500		**	**	**		
	Developmentally Disabled	165,756,021	0.1163	0.0500		167,496,987	0.1163	0.1163	194,799	
<u>Monroe</u>										
Monroe County Ambulance District	General Revenue	68,521,742	0.4200	0.4200		69,789,848	0.4200	0.4200	293,117	
Monroe City Ambulance District	General Revenue	81,835,170	0.2657	0.2657		85,095,067	0.2657	0.2657	226,098	
Monroe County Nursing Home District	General Revenue	81,054,694	0.1500	0.1500		83,189,327	0.1500	0.1500	124,784	
Madison Special Road Dist Monroe Co	Special Road and Bridge	10,653,580	0.3487	0.3487		**	**	**		2007
	Special Road District	**	**	**		156,732,440	0.3500	0.3500	548,564	A 2011
Monroe City Spec Rd Dist Monroe Co	Special Road and Bridge	28,475,658	0.3500	0.3500	A	29,688,799	0.3500	0.3500	103,911	2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Monroe</u>										
Village of Holliday	General Revenue	799,189	0.3744	0.3744		823,729	0.3744	0.3744	3,084	
City of Madison	General Revenue	3,149,012	0.6774	0.6774		3,151,654	0.6802	0.6802	21,438	
City of Paris	General Revenue	8,556,736	0.3341	0.3341		8,619,025	0.3344	0.3344	28,822	
	Streets	8,556,736	0.1193	0.1193		8,619,025	0.1194	0.1194	10,291	
	Fire	8,556,736	0.1393	0.1393		8,619,025	0.1394	0.1393	12,006	
	Cemetery	8,556,736	0.2611	0.2611		8,619,025	0.2613	0.2613	22,522	
Village of Stoutsville	General Revenue	462,391	0.1763	0.1763		500,829	0.1762	0.1762	882	
City of Monroe City	General Revenue	29,506,719	0.6039	0.5900		30,406,175	0.6039	0.5900	179,396	
	Library	29,506,719	0.2115	0.2000		30,406,175	0.2000	0.2000	60,812	
Monroe County Library	General Revenue	85,711,271	0.1634	0.1634		87,959,419	0.1634	0.1634	143,726	
Paris Rural Fire Protection Dist	General Revenue	22,848,508	0.2500	0.2500		23,379,563	0.2500	0.2500	58,449	
Madison-West Monroe Fire Prot Dist	General Revenue	23,472,623	0.3000	0.3000		23,751,562	0.3000	0.3000	71,255	
Monroe County Health Department	General Revenue	**	**	**		110,435,916	0.1000	0.1000	110,436	
Middle Grove C-1 School District	Operating Funds-Schools	3,566,643	5.8734	5.6000	E	3,495,094	5.9159	5.6000	195,725	E
Monroe City R-I School District	Operating Funds-Schools	69,601,354	3.9388	3.9388	E	71,546,476	3.9247	3.9247	2,807,985	E
	Debt Service	**	**	**		71,546,476	0.1897	0.1500	107,320	E
Holliday C-2 School District	Operating Funds-Schools	6,420,784	3.7357	3.6500	E	6,465,467	3.7500	3.6500	235,990	E
Madison C-3 School District	Operating Funds-Schools	11,631,196	3.6956	3.4456	BE	11,440,849	3.7500	3.7500	429,032	E
	Debt Service	11,631,196	0.3967	0.3967	E	11,440,849	0.0000	0.0000	0	E
Paris R-II School District	Operating Funds-Schools	34,808,586	3.5519	3.2000	E	35,229,094	3.5053	3.4000	1,197,789	E
	Debt Service	34,808,586	0.8024	0.4900	E	35,229,094	0.5148	0.4900	172,623	E
Monroe County	General Revenue	107,405,275	0.3876	0.2400		110,435,916	0.3876	0.2410	266,151	
	Road & Bridge	107,405,275	0.2828	0.2828		110,435,916	0.2828	0.2828	312,313	
	Health	107,405,275	0.1000	0.1000		**	**	**		
	Senate Bill 40	107,405,275	0.1000	0.1000		110,435,916	0.1000	0.1000	110,436	
<u>Montgomery</u>										
Montgomery County Ambulance Dist	General Revenue	156,691,421	0.2477	0.2477		158,947,493	0.2490	0.2490	395,779	
Rhineland Bottom SRD Montgomery C	Special Road and Bridge	7,218,467	0.2500	0.2499	A	7,383,840	0.2500	0.2500	18,460	2010
Wellsville Road Dist Montgomery Co	Special Road and Bridge	18,838,588	0.2000	0.2000		18,753,386	0.2000	0.2000	37,507	2009
City of Bellflower	General Revenue	2,075,186	0.8124	0.8124		2,127,171	0.8396	0.8396	17,860	
City of High Hill	General Revenue	2,980,150	0.4639	0.3700		3,199,909	0.4639	0.3700	11,840	
City of Jonesburg	General Revenue	9,789,372	0.4977	0.4977		10,265,256	0.4977	0.4977	51,090	
	Debt Service	9,789,372	0.2076	0.2076		10,265,256	0.2540	0.2540	26,074	
City of McKittrick	General Revenue	478,524	0.6277	0.6277		469,397	0.6400	0.6400	3,004	
City of Middletown	General Revenue	1,555,684	0.8035	0.7867		1,506,451	0.8352	0.7867	11,851	
City of Montgomery	General Revenue	34,094,927	0.5261	0.4776		34,865,760	0.5261	0.4796	167,216	
	Library	34,094,927	0.3811	0.3811		34,865,760	0.3811	0.3811	132,873	
City of New Florence	General Revenue	6,755,887	0.6878	0.6878		6,560,112	0.7253	0.7253	47,580	
Village of Rhineland	General Revenue	2,345,330	0.8922	0.7500		2,426,862	0.8927	0.7500	18,201	
City of Wellsville	General Revenue	8,552,332	0.7251	0.7251		8,633,304	0.7280	0.7280	62,850	
	Library	8,552,332	0.1987	0.1987		8,633,304	0.1600	0.1600	13,813	
Bellflower Volunteer Fire Prot Dist	General Revenue	13,085,844	0.2807	0.2500		13,431,128	0.2810	0.2810	37,741	
Jonesburg-High Hill Fire Prot Dist	General Revenue	42,601,239	0.2532	0.2500		44,493,904	0.2532	0.2500	111,235	
New Florence Fire Protection Dist	General Revenue	20,722,942	0.2901	0.2901		20,825,981	0.2945	0.2945	61,333	
Montgomery Volunteer Fire Prot Dist	General Revenue	63,394,035	0.2568	0.2568		63,846,227	0.2579	0.2579	164,659	
Wellsville Fire Protection District	General Revenue	20,171,761	0.3000	0.3000	A	18,454,054	0.3000	0.3000	55,362	
Montgomery County Health Department	General Revenue	**	**	**		183,166,932	0.1458	0.1400	256,434	
Wellsville-Middletown R-I Sch Dist	Operating Funds-Schools	26,903,001	3.3833	3.3833	E	27,039,580	3.4461	3.4461	931,811	E
	Debt Service	26,903,001	0.4988	0.4800	E	27,039,580	0.6105	0.4800	129,790	E
Montgomery Co R-II School District	Operating Funds-Schools	108,340,038	3.2778	3.2778	E	110,762,974	3.2772	3.2772	3,629,924	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Montgomery</u>									
Montgomery County	General Revenue	181,163,150	0.3822	0.2606	183,166,932	0.3842	0.2525	462,497	2010
	Johnson Grass	181,163,150	0.0483	0.0483	183,166,932	0.0486	0.0000	0	
	Road & Bridge	181,163,150	0.2817	0.2817	183,166,932	0.2832	0.2832	518,729	
	Special Road and Bridge	181,163,150	0.3000	0.2884	A 157,029,688	0.3000	0.3000	471,089	
	Health	181,163,150	0.1450	0.1200	**	**	**		
	Senate Bill 40	181,163,150	0.0967	0.0967	183,166,932	0.0971	0.0971	177,855	
<u>Morgan</u>									
Golden Age Nursing Home Health #1	General Revenue	92,290,917	0.1745	0.1745	93,974,182	0.1752	0.1752	164,643	2010
Good Shepherd Nursing Home District	General Revenue	647,239,556	0.1359	0.1359	668,220,556	0.1359	0.1359	908,112	
Barnett Spec Road Dist #3 Morgan Co	Road & Bridge	10,834,843	0.2721	0.2803	D 10,715,624	0.2811	0.2811	30,122	
Gravois Spec Rd Dist #8 Morgan Co	Road & Bridge	178,518,307	0.1171	0.1171	183,355,384	0.1171	0.1171	214,709	
	Special Road and Bridge	178,518,307	0.1000	0.1000	183,355,384	0.1000	0.1000	183,355	
Versailles Sp Rd Dist 4 Morgan Co	Road & Bridge	52,074,447	0.2113	0.2113	**	**	**		
City of Barnett	General Revenue	1,182,765	0.5444	0.5444	1,175,893	0.5519	0.5519	6,490	
	Water	1,182,765	0.3509	0.3509	1,175,893	0.3557	0.3557	4,183	
City of Stover	General Revenue	8,185,290	0.4813	0.4813	8,128,953	0.4874	0.4874	39,621	
City of Syracuse	General Revenue	1,830,961	0.6899	0.6899	1,808,460	0.7098	0.7098	12,836	
City of Versailles	General Revenue	29,005,641	0.5619	0.5619	28,476,997	0.5740	0.5740	163,458	
Morgan County Library District	General Revenue	461,253,946	0.0689	0.0689	469,243,799	0.0690	0.0690	323,778	
Rocky Mount Fire Protection Dist	General Revenue	103,559,637	0.3677	0.3677	106,730,635	0.3677	0.3677	392,449	
Versailles Fire Protection Dist #4	General Revenue	38,210,065	0.4290	0.4290	38,007,292	0.4381	0.4381	166,510	
Gravois Fire Protection District	General Revenue	217,066,324	0.3661	0.3661	223,524,079	0.3661	0.3661	818,322	
	Debt Service	217,066,324	0.2939	0.2939	223,524,079	0.2869	0.2856	638,385	
Stover Rural Fire Protection Dist 6	General Revenue	35,036,806	0.2395	0.2395	35,448,119	0.2403	0.2403	85,182	
Morgan County Health Center	General Revenue	**	**	**	469,243,799	0.0690	0.0690	323,778	
Morgan Co R-I School District	Operating Funds-Schools	69,210,931	2.7500	2.7500	E 79,035,655	2.7500	2.7500	2,173,481	E
	Debt Service	69,210,931	0.5097	0.3800	E 79,035,655	0.4299	0.3800	300,335	E
Morgan Co R-II School District	Operating Funds-Schools	242,463,869	2.7500	2.7500	E 247,644,854	2.7500	2.7500	6,810,233	E
Morgan County	General Revenue	461,253,946	0.1912	0.0839	469,243,799	0.1916	0.0700	328,471	2010
	Johnson Grass	461,253,946	0.0383	0.0000	469,243,799	0.0384	0.0000	0	
	Road & Bridge	219,544,271	0.1530	0.1530	275,032,012	0.1541	0.1541	423,824	
	Health	461,253,946	0.0689	0.0689	**	**	**		
	Senate Bill 40	461,253,946	0.0383	0.0383	469,243,799	0.0384	0.0384	180,190	
	Senior Services	461,253,946	0.0383	0.0383	469,243,799	0.0384	0.0384	180,190	
<u>New Madrid</u>									
New Madrid County Ambulance Dist.	General Revenue	397,245,714	0.1500	0.0600	399,747,745	0.1500	0.0000	0	2010
City of Canalou	General Revenue	1,080,700	0.9999	0.7522	1,035,008	1.0000	0.7522	7,785	
Village of Catron	General Revenue	754,744	0.4910	0.4910	743,852	0.4982	0.4982	3,706	2010
	Additional Gen. Rev.	754,744	0.2494	0.2494	743,852	0.2500	0.2500	1,860	
City of Gideon	General Revenue	5,306,841	0.6060	0.6060	5,362,891	0.6101	0.6101	32,719	2010
	Parks & Recreation	5,306,841	0.1541	0.1541	5,362,891	0.1551	0.1551	8,318	
City of Howardville	General Revenue	1,230,230	1.0000	1.0000	1,246,211	1.0000	1.0000	12,462	2010
City of Lilbourn	General Revenue	7,082,873	0.6050	0.6050	7,887,182	0.6068	0.6068	47,859	
	Parks & Recreation	7,082,873	0.1743	0.1743	7,887,182	0.1748	0.1748	13,787	
	Library	7,082,873	0.1743	0.1743	7,887,182	0.1748	0.1748	13,787	
	Health	7,082,873	0.1743	0.1743	7,887,182	0.1748	0.1748	13,787	
	Debt Service	7,082,873	0.4105	0.2179	7,887,182	0.3628	0.2179	17,186	
City of Marston	General Revenue	4,719,112	0.5443	0.5443	4,693,129	0.5487	0.5487	25,751	
City of Matthews	General Revenue	8,434,041	0.5207	0.5207	8,361,555	0.5272	0.5272	44,082	2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>New Madrid</u>										
City of Morehouse	General Revenue	5,113,929	0.5855	0.5700		4,976,597	0.6050	0.6050	30,108	
City of New Madrid	General Revenue	25,841,047	0.5765	0.5765		25,634,333	0.5904	0.5904	151,345	
	Additional Gen. Rev.	25,841,047	0.2087	0.2087		25,634,333	0.2137	0.2137	54,781	
Village of North Lilbourn	General Revenue	130,970	0.5000	0.5000		127,145	0.5000	0.5000	636	
City of Parma	General Revenue	4,079,871	0.6329	0.6329		4,160,262	0.6350	0.6350	26,418	
City of Portageville	General Revenue	29,384,492	0.5705	0.5705		30,135,142	0.5718	0.5718	172,313	
	Parks & Recreation	29,384,492	0.1292	0.1292		30,135,142	0.1295	0.1295	39,025	
	Health	29,384,492	0.1506	0.1506		30,135,142	0.1510	0.1510	45,504	
City of Risco	General Revenue	2,153,092	0.6998	0.6998		2,131,782	0.7087	0.7087	15,108	
Village of Tallapoosa	General Revenue	461,776	0.8233	0.8233		471,645	0.8248	0.8248	3,890	
New Madrid County Library	General Revenue	370,358,573	0.1102	0.1102		372,092,298	0.1103	0.1102	410,046	
New Madrid County Health Department	General Revenue	**	**	**		399,747,745	0.0908	0.0900	359,773	
Risco R-II School District	Operating Funds-Schools	9,100,875	4.6281	4.6281	E	9,194,458	4.6609	4.6609	428,544	E
Portageville School District	Operating Funds-Schools	43,731,137	3.3460	2.7500	E	44,890,152	3.3310	3.3310	1,495,291	E
	Operating Funds-Temp	43,731,137	0.5000	0.0000	E	44,890,152	0.5000	0.0000	0	E 2008
	Debt Service	43,731,137	0.7500	0.7500	E	44,890,152	0.1690	0.1690	75,864	E
Gideon 37 School District	Operating Funds-Schools	12,936,050	3.6422	3.4300	E	13,086,071	3.6829	3.5000	458,012	E
New Madrid Co R-I School District	Operating Funds-Schools	270,231,101	2.8500	2.8500	BE	270,362,844	2.9500	2.9500	7,975,704	BE
	Debt Service	270,231,101	0.3576	0.2400	E	270,362,844	0.3478	0.2400	648,871	E
New Madrid County	General Revenue	397,245,714	0.3228	0.1350		399,747,745	0.3228	0.1400	559,647	
	Johnson Grass	397,245,714	0.0303	0.0100		399,747,745	0.0303	0.0100	39,975	
	Road & Bridge	397,245,714	0.2422	0.2422		399,747,745	0.2422	0.2422	968,189	
	Health	397,245,714	0.0908	0.0900		**	**	**		
	Senate Bill 40	397,245,714	0.0200	0.0200		399,747,745	0.0200	0.0200	79,950	
<u>Newton</u>										
Newton County Ambulance District	General Revenue	553,755,335	0.1898	0.1898		564,378,168	0.1899	0.1899	1,071,754	
Lost Creek Watershed Sub District	General Revenue	27,805,410	0.3009	0.1500		28,386,130	0.3009	0.1500	42,579	
Diamond Special Road Dist Newton Co	Road & Bridge	28,778,719	0.3231	0.3231		29,243,219	0.3238	0.3238	94,690	
	Special Road and Bridge	28,778,719	0.1690	0.1690		**	**	**		2007
	Special Road and Bridge	**	**	**		29,243,219	0.1700	0.1700	49,713	A 2011
Fairview Special Rd Dist Newton Co	Road & Bridge	9,292,693	0.2126	0.2126		9,300,931	0.2137	0.2137	19,876	
	Special Road and Bridge	9,292,693	0.1540	0.1540		**	**	**		2007
	Special Road and Bridge	**	**	**		9,300,931	0.1540	0.1540	14,323	A 2011
Midway Special Rd Dist Newton Co	Road & Bridge	11,130,974	0.1998	0.1998		11,096,542	0.2030	0.2030	22,526	
	Special Road and Bridge	11,130,974	0.1643	0.1643		**	**	**		2007
	Special Road and Bridge	**	**	**		11,096,542	0.1647	0.1647	18,276	A 2011
Neosho Special Rd Dist Newton Co	Road & Bridge	164,507,081	0.1900	0.1900		166,617,353	0.1919	0.1919	319,739	
	Special Road and Bridge	164,507,081	0.1500	0.1500		**	**	**		2007
	Special Road and Bridge	**	**	**		166,617,353	0.1500	0.1500	249,926	A 2011
Seneca Special Rd Dist Newton Co	Road & Bridge	55,048,431	0.1983	0.1983		55,906,908	0.1983	0.1983	110,863	
	Special Road and Bridge	55,048,431	0.1480	0.1480		**	**	**		2007
	Special Road and Bridge	**	**	**		55,906,908	0.1498	0.1498	83,749	A 2011
Stella Special Road Dist Newton Co	Road & Bridge	6,467,620	0.2356	0.2356		6,373,894	0.2709	0.2709	17,267	
	Special Road and Bridge	6,467,620	0.1344	0.1344		**	**	**		2007
	Special Road and Bridge	**	**	**		6,373,894	0.1352	0.1352	8,618	A 2011
City of Diamond	General Revenue	4,623,434	0.3204	0.3204		4,736,240	0.3204	0.3204	15,175	
City of Fairview	General Revenue	1,863,934	0.3568	0.3568		1,917,950	0.3687	0.3687	7,071	
	Streets	1,863,934	0.3122	0.3122		1,917,950	0.3226	0.3226	6,187	
City of Granby	General Revenue	9,222,989	0.3272	0.3272		9,247,813	0.3281	0.3281	30,342	
	Cemeterv	9,222,989	0.0755	0.0755		**	**	**		2007

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Newton</u>									
City of Granby	Cemetery	**	**	**	9,247,813	0.0800	0.0800	7,398	A 2011
Village of Leawood	General Revenue	7,386,094	0.2235	0.2235	7,529,887	0.2235	0.2235	16,829	
Village of Newtonia	General Revenue	1,057,716	0.1886	0.1886	1,024,506	0.1966	0.1966	2,014	
Village of Ritchey	General Revenue	359,210	0.5359	0.5359	354,600	0.5429	0.5429	1,925	
Village of Saginaw	General Revenue	3,599,224	0.2541	0.2000	3,717,729	0.2541	0.2000	7,435	
City of Seneca	General Revenue	16,261,811	0.4276	0.4276	16,607,461	0.4276	0.4276	71,014	
	Parks & Recreation	16,261,811	0.0486	0.0486	16,607,461	0.0486	0.0486	8,071	
Village of Shoal Creek Drive	General Revenue	2,716,160	0.2021	0.2021	2,727,188	0.2021	0.2021	5,512	
Village of Silver Creek	General Revenue	8,060,521	0.1592	0.1592	8,005,306	0.1608	0.1592	12,744	
Village of Stella	General Revenue	1,142,735	0.8000	0.8000	1,102,560	0.8000	0.8000	8,820	
Village of Wentworth	General Revenue	805,929	0.2768	0.2768	806,838	0.2842	0.2842	2,293	
Village of Shoal Creek Estates	General Revenue	1,030,592	0.4881	0.4881	1,044,040	0.4881	0.4881	5,096	
Town of Loma Linda	General Revenue	10,861,340	0.4864	0.4864	11,547,340	0.4864	0.4864	56,166	
	Sewer	10,861,340	0.4864	0.0000	11,547,340	0.4864	0.0000	0	
	Public Health and Sewer	10,861,340	0.1945	0.1945	11,547,340	0.1945	0.1945	22,460	
	General Revenue-Temp	**	**	**	11,547,340	0.3000	0.3000	34,642	A 2011
Neosho Newton County Library	General Revenue	572,905,949	0.0999	0.0997	593,813,815	0.0999	0.0999	593,220	
Neosho Area Fire Protection Dist	General Revenue	77,118,142	0.4110	0.4110	76,638,597	0.4191	0.4191	321,192	
Redings Mill Area Fire Prot Dist	General Revenue	145,832,492	0.7095	0.7095	146,597,697	0.7095	0.7095	1,040,111	
	Debt Service	145,832,492	0.0942	0.0942	146,597,697	0.1041	0.1041	152,608	
Diamond Area Fire Protection Dist	General Revenue	34,314,133	0.2578	0.2578	35,087,237	0.2578	0.2578	90,455	
Seneca Area Fire Protection Dist	General Revenue	34,144,079	0.2814	0.2814	34,494,147	0.2814	0.2814	97,067	
East Newton Fire Protection Dist	General Revenue	19,187,781	0.2824	0.2824	19,469,599	0.2824	0.2824	54,982	
Neosho Developers CID	General Revenue	**	**	**	154,475,961	1.0000	1.0000	1,544,760	A 2057
Newton County Health Department	General Revenue	**	**	**	678,733,828	0.0500	0.0500	339,367	
Crowder College	General Revenue	829,827,872	0.4000	0.4000	692,079,335	0.4300	0.4000	2,768,317	
East Newton Co R-VI School District	Operating Funds-Schools	61,779,143	2.7500	2.7500	E 62,430,097	2.7500	2.7500	1,716,828	E
	Debt Service	61,779,143	0.5071	0.4496	E 62,430,097	0.4802	0.4802	299,789	E
Diamond R-IV School District	Operating Funds-Schools	51,895,291	2.7500	2.7500	E 54,591,195	2.7500	2.7500	1,501,258	E
	Debt Service	51,895,291	1.2843	0.9900	E 54,591,195	1.2372	0.9900	540,453	E
Westview C-6 School District	Operating Funds-Schools	7,082,955	2.7500	2.7500	F 7,150,220	2.7500	2.7500	196,631	F
Seneca R-VII School District	Operating Funds-Schools	74,408,224	2.7500	2.7500	F 75,388,687	2.7500	2.7500	2,073,189	F
Neosho R-V School District	Operating Funds-Schools	243,266,651	2.8924	2.7500	F 248,028,882	2.8840	2.7500	6,820,794	F
	Debt Service	243,266,651	0.5582	0.3600	F 248,028,882	0.5139	0.3600	892,904	F
Newton County	Common Road District	102,603,396	0.2223	0.2223	102,829,469	0.2244	0.2244	230,749	
	Health	657,238,514	0.0500	0.0500	**	**	**		
	Mental Health	657,238,514	0.0803	0.0803	678,733,828	0.0803	0.0803	545,023	
	County Fair	657,238,514	0.0100	0.0100	678,733,828	0.0100	0.0100	67,873	
<u>Nodaway</u>									
Hoover Frankum Watershed Sub Dist	General Revenue	1,186,682	0.3836	0.3800	1,186,682	0.3836	0.3800	4,509	
Mozingo Creek Watershed Sub Dist	General Revenue	12,003,061	0.0000	0.0000	12,003,061	0.0000	0.0000	0	
102 River Tributaries Sub District	General Revenue	8,521,103	0.2333	0.1000	8,521,103	0.2333	0.1000	8,521	
City of Arkoe	General Revenue	280,503	0.9817	0.9817	260,829	1.0000	0.9817	2,561	
City of Barnard	General Revenue	892,015	0.8365	0.8365	889,345	0.8403	0.8365	7,439	
	Streets	892,015	1.2500	1.2500	A 889,345	1.2500	1.2500	11,117	2008
City of Burlington Junction	General Revenue	2,596,248	0.9313	0.9313	2,488,124	0.9777	0.9777	24,326	
	General Revenue-Temp	2,596,248	0.3000	0.3000	A 2,488,124	0.3000	0.3000	7,464	2010
City of Clearmont	General Revenue	859,606	0.7789	0.7789	876,585	0.7838	0.7838	6,871	
Village of Clyde	General Revenue	295,549	0.4579	0.4579	594,488	0.4625	0.4625	2,750	
City of Conception Junction	General Revenue	876,729	0.9861	0.9861	970,145	0.9959	0.9959	9,662	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Nodaway</u>									
City of Elmo	General Revenue	567,644	1.0000	1.0000	538,422	1.0000	0.0000	0	
	General Revenue-Temp	567,644	1.0000	1.0000	**	**	**		2007
	Streets-Temp	567,644	0.4500	0.4500	**	**	**		2007
	General Revenue-Temp	**	**	**	538,422	1.0000	1.0000	5,384	A 2011
	Streets-Temp	**	**	**	538,422	0.4500	0.4500	2,423	A 2011
City of Graham	General Revenue	814,693	0.9999	0.9999	781,955	1.0000	1.0000	7,820	
	Streets	814,693	1.1400	1.1400	A **	**	**		2007
	Streets	**	**	**	781,955	1.1400	1.1400	8,914	A 2008
Village of Guilford	General Revenue	374,716	0.9998	0.9998	417,567	1.0000	1.0000	4,176	
	Streets	374,716	0.5000	0.5000	417,567	0.5000	0.5000	2,088	2009
City of Hopkins	General Revenue	2,575,190	0.3877	0.3877	2,629,863	0.3912	0.3912	10,288	
	Lights	2,575,190	0.2040	0.2040	2,629,863	0.2058	0.2058	5,412	
	Streets	2,575,190	0.2040	0.2040	2,629,863	0.2058	0.2058	5,412	
	General Revenue-Temp	2,575,190	0.1974	0.1974	**	**	**		2007
	Street Improvements	2,575,190	0.7405	0.7405	2,629,863	0.7471	0.7471	19,648	2009
	General Revenue-Temp	**	**	**	2,629,863	0.2000	0.2000	5,260	A 2011
City of Maryville	General Revenue	121,558,099	0.3153	0.3153	126,249,668	0.3170	0.3170	400,211	
	Parks & Recreation	121,558,099	0.3153	0.3153	126,249,668	0.3170	0.3170	400,211	
	Library	121,558,099	0.1424	0.1424	126,249,668	0.1432	0.1432	180,790	
	Debt Service	121,558,099	0.1194	0.1194	126,249,668	0.1261	0.1194	150,742	
City of Parnell	General Revenue	473,851	0.9969	0.9969	480,397	1.0000	1.0000	4,804	
	Parks & Recreation	473,851	0.3988	0.3988	480,397	0.4000	0.4000	1,922	2008
	General Revenue-Temp	473,851	0.2992	0.2992	480,397	0.3000	0.3000	1,441	2008
Village of Pickering	General Revenue	650,041	0.8211	0.7800	766,539	0.7563	0.7563	5,797	
	Streets-Temp	650,041	1.0000	1.0000	A 766,539	0.9212	0.9212	7,061	2009
Village of Quitman	General Revenue	127,634	1.0000	1.0000	124,217	1.0000	1.0000	1,242	
City of Ravenwood	General Revenue	2,469,741	0.7499	0.7285	2,455,972	0.7607	0.7607	18,683	
	Streets	2,469,741	0.7500	0.7500	2,455,972	1.0000	1.0000	24,560	2008
City of Skidmore	General Revenue	1,269,443	0.9999	0.9999	1,286,354	1.0000	1.0000	12,864	
	Streets	1,269,443	0.9999	0.9999	1,286,354	1.0000	1.0000	12,864	
Atchison Township of Nodaway Co	General Revenue	5,221,371	0.0499	0.0499	5,228,512	0.0500	0.0500	2,614	
	Road & Bridge	5,221,371	0.4993	0.4993	5,228,512	0.5000	0.5000	26,143	
	Special Road and Bridge	5,221,371	0.3495	0.3495	5,228,512	0.3500	0.3500	18,300	2008
	Debt Service	5,221,371	0.0000	0.0000	**	**	**		
Township of Grant, Nodaway County	General Revenue	6,167,355	0.0500	0.0500	5,933,222	0.0500	0.0500	2,967	
	Road & Bridge	6,167,355	0.5000	0.5000	5,933,222	0.5000	0.5000	29,666	
	Special Road and Bridge	6,167,355	0.3500	0.3500	5,933,222	0.3500	0.3500	20,766	2008
Green Township of Nodaway Co	General Revenue	4,667,406	0.0500	0.0500	4,616,756	0.0500	0.0500	2,308	
	Road & Bridge	4,667,406	0.5000	0.5000	4,616,756	0.5000	0.5000	23,084	
	Special Road and Bridge	4,667,406	0.3500	0.3500	4,616,756	0.3500	0.3500	16,159	2008
	Debt Service	4,667,406	1.3455	1.3455	4,616,756	0.0650	0.0650	3,001	
Hopkins Township of Nodaway Co	General Revenue	6,246,152	0.0494	0.0494	6,355,329	0.0497	0.0497	3,159	
	Road & Bridge	6,246,152	0.4944	0.4944	6,355,329	0.4975	0.4975	31,618	
	Special Road and Bridge	6,246,152	0.3461	0.3461	6,355,329	0.3483	0.3483	22,136	2008
Hughes Township of Nodaway Co	General Revenue	8,199,636	0.0500	0.0500	8,347,480	0.0500	0.0500	4,174	
	Road & Bridge	8,199,636	0.5000	0.5000	8,347,480	0.5000	0.5000	41,737	
	Special Road and Bridge	8,199,636	0.3500	0.3500	8,347,480	0.3500	0.3500	29,216	2008
	Debt Service	8,199,636	0.4974	0.4974	8,347,480	0.1057	0.1057	8,823	
Independence Township, Nodaway Co	General Revenue	4,171,605	0.0465	0.0465	4,284,425	0.0465	0.0465	1,992	
	Road & Bridge	4,171,605	0.4658	0.4658	4,284,425	0.4658	0.4658	19,957	
	Special Road and Bridge	4,171,605	0.3489	0.3489	4,284,425	0.3489	0.3489	14,948	2008

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Nodaway</u>									
Independence Township, Nodaway Co	Debt Service	**	**	**	4,284,425	0.7702	0.7702	32,999	
Jackson Township of Nodaway Co	General Revenue	10,825,723	0.0500	0.0500	10,846,154	0.0500	0.0500	5,423	
	Road & Bridge	10,825,723	0.4996	0.4996	10,846,154	0.5000	0.5000	54,231	
	Special Road and Bridge	10,825,723	0.3500	0.3500	A 10,846,154	0.3500	0.3500	37,962	2010
	Debt Service	10,825,723	0.5210	0.5210	10,846,154	0.1549	0.1549	16,801	
Jefferson Township of Nodaway Co	General Revenue	6,205,743	0.0498	0.0498	8,949,762	0.0497	0.0497	4,448	
	Road & Bridge	6,205,743	0.4977	0.4977	8,949,762	0.4966	0.4966	44,445	
	Special Road and Bridge	6,205,743	0.3484	0.3484	8,949,762	0.3477	0.3000	26,849	2008
Lincoln Township of Nodaway Co	General Revenue	5,328,213	0.0500	0.0500	5,268,163	0.0500	0.0500	2,634	
	Road & Bridge	5,328,213	0.5000	0.5000	5,268,163	0.5000	0.5000	26,341	
	Special Road and Bridge	5,328,213	0.3500	0.3500	A 5,268,163	0.3500	0.3500	18,439	2010
Monroe Township of Nodaway Co	General Revenue	4,449,844	0.0492	0.0492	4,385,848	0.0500	0.0492	2,158	
	Road & Bridge	4,449,844	0.4697	0.4697	4,385,848	0.4811	0.4811	21,100	
	Special Road and Bridge	4,449,844	0.3443	0.3443	4,385,848	0.3500	0.3500	15,350	2008
	Debt Service	4,449,844	1.4562	1.4562	4,385,848	0.5472	0.5472	23,999	
Nodaway Township of Nodaway Co	General Revenue	7,584,393	0.0496	0.0496	7,499,514	0.0500	0.0500	3,750	
	Road & Bridge	7,584,393	0.4950	0.4950	7,499,514	0.5000	0.5000	37,498	
	Special Road and Bridge	7,584,393	0.3500	0.3500	A 7,499,514	0.3500	0.3500	26,248	2010
	Debt Service	**	**	**	7,499,514	0.7027	0.7027	52,699	
Polk Township of Nodaway Co	General Revenue	189,944,065	0.0495	0.0495	190,618,194	0.0500	0.0500	95,309	
	Road & Bridge	189,944,065	0.2690	0.2690	190,618,194	0.2724	0.2720	518,481	
	Special Road and Bridge	189,944,065	0.3462	0.3462	190,618,194	0.3500	0.3500	667,164	2007
Union Township of Nodaway Co	General Revenue	5,356,229	0.0495	0.0495	5,374,428	0.0500	0.0500	2,687	
	Road & Bridge	5,356,229	0.4948	0.4948	5,374,428	0.5000	0.5000	26,872	
	Special Road and Bridge	5,356,229	0.3500	0.3500	A 5,374,428	0.3500	0.3500	18,810	2010
	Debt Service	5,356,229	0.8887	0.8887	5,374,428	0.3180	0.3180	17,091	
Washington Township of Nodaway Co	General Revenue	4,266,622	0.0496	0.0496	8,664,825	0.0496	0.0496	4,298	
	Road & Bridge	4,266,622	0.4958	0.4958	8,664,825	0.4958	0.4958	42,960	
	Special Road and Bridge	4,266,622	0.3471	0.3471	8,664,825	0.3471	0.3471	30,076	2008
	Debt Service	4,266,622	0.7436	0.7436	8,664,825	0.0508	0.0508	4,402	
White Cloud Township of Nodaway Co	General Revenue	7,268,245	0.0461	0.0461	7,193,624	0.0470	0.0470	3,381	
	Road & Bridge	7,268,245	0.4523	0.4523	7,193,624	0.4611	0.4611	33,170	
	Special Road and Bridge	7,268,245	0.3500	0.3500	A 7,193,624	0.3500	0.3500	25,178	2010
	Debt Service	**	**	**	7,193,624	0.8341	0.8341	60,002	
Barnard Fire Protection District	General Revenue	10,489,608	0.2000	0.2000	12,923,169	0.2000	0.2000	25,846	
Graham Fire Protection District	General Revenue	8,488,903	0.1000	0.1000	8,675,896	0.1000	0.1000	8,676	
Hopkins Fire Protection District	General Revenue	8,776,467	0.1314	0.1314	8,820,258	0.1323	0.1300	11,466	
Polk Fire Protection District	General Revenue	69,454,317	0.0497	0.0497	65,391,814	0.0500	0.0500	32,696	
Clearmont Fire Protection District	General Revenue	4,854,771	0.3000	0.3000	4,917,241	0.3000	0.3000	14,752	
Skidmore Fire Protection District	General Revenue	7,328,064	0.2089	0.2089	7,322,813	0.2100	0.2100	15,378	
West Nodaway Fire Protection Dist	General Revenue	11,612,737	0.2993	0.2800	11,530,177	0.3000	0.2800	32,284	
Jackson Township Fire Prot Dist	General Revenue	10,827,547	0.0000	0.0000	10,851,422	0.0000	0.0000	0	
	Fire	10,827,547	0.2997	0.2997	10,851,422	0.3000	0.3000	32,554	
Union Township Fire Protection Dist	General Revenue	4,127,701	0.2939	0.2939	4,161,616	0.3000	0.3000	12,485	
Elmo Fire Protection District	General Revenue	3,669,954	0.3000	0.3000	3,579,512	0.3000	0.3000	10,739	
Parnell Fire Protection District	General Revenue	4,372,744	0.2853	0.2853	4,786,311	0.2784	0.2784	13,325	
Nodaway County Health Center	General Revenue	**	**	**	283,535,721	0.0500	0.0500	141,768	
Nodaway-Holt R-VII School District	Operating Funds-Schools	21,532,695	3.7500	3.7500	E 20,194,770	3.7500	3.7500	757,304	E
	Operating Funds-Temp	21,532,695	0.9000	0.9000	E 20,194,770	0.9000	0.9000	181,753	E 2019
West Nodaway Co R-I School District	Operating Funds-Schools	19,052,740	3.7500	3.7500	E 18,999,730	3.7500	3.7500	712,490	E
	Debt Service	19,052,740	0.7019	0.7000	E 18,999,730	0.7028	0.5000	94,999	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Nodaway</u>										
Northeast Nodaway Co R-V Sch Dist	Operating Funds-Schools	12,588,574	5.0963	5.0963	E	12,873,575	5.0921	5.0921	655,535	E
	Debt Service	12,588,574	1.2193	0.6600	E	12,873,575	1.2881	0.6600	84,966	E
Jefferson C-123 School District	Operating Funds-Schools	6,436,977	6.2159	5.2079		11,798,700	6.1735	5.6432	665,824	
North Nodaway Co R-VI School Dist	Operating Funds-Schools	12,951,490	4.4853	4.4000	E	13,104,800	4.4802	4.4802	587,121	E
	Debt Service	12,951,490	0.6910	0.5900	E	13,104,800	0.6698	0.5900	77,318	E
Maryville R-II School District	Operating Funds-Schools	187,019,392	4.5638	4.2172		187,978,762	4.6034	4.3307	8,140,796	
	Debt Service	187,019,392	0.9909	0.5643		187,978,762	0.9505	0.5643	1,060,764	
South Nodaway Co R-IV School Dist	Operating Funds-Schools	10,334,692	5.5500	5.2446	E	12,054,102	5.5500	5.5500	669,003	E
	Debt Service	10,334,692	0.6474	0.6282	E	12,054,102	0.9484	0.8900	107,282	E
Nodaway County	General Revenue	275,902,148	0.3589	0.1600		283,535,721	0.3625	0.1600	453,657	
	Health	275,902,148	0.0497	0.0497		**	**	**		
	Ambulance	275,902,148	0.1845	0.0000		283,535,721	0.1864	0.0000	0	
	Senate Bill 40	275,902,148	0.0497	0.0497		283,535,721	0.0500	0.0500	141,768	
	Senior Services	275,902,148	0.0497	0.0497		283,535,721	0.0500	0.0500	141,768	
<u>Oregon</u>										
Oregon County Ambulance District	General Revenue	79,233,754	0.1406	0.1406		84,387,504	0.1406	0.1406	118,649	
Thayer Spec Rd Dist Oregon Co	Road & Bridge	30,439,108	0.2094	0.2094		32,693,226	0.2094	0.2094	68,460	
City of Alton	General Revenue	4,769,967	0.5172	0.5172		4,811,765	0.5201	0.5201	25,026	
City of Koshkonong	General Revenue	737,729	0.8227	0.8227		793,802	0.8009	0.8009	6,358	
City of Thayer	General Revenue	14,432,283	0.4440	0.4440		14,889,820	0.4440	0.4440	66,111	
Oregon County Library District	General Revenue	79,233,754	0.1909	0.1909		84,387,504	0.1909	0.1909	161,096	
Oregon County Health Department	General Revenue	**	**	**		84,387,504	0.1000	0.1000	84,388	
Couch R-I School District	Operating Funds-Schools	9,262,999	3.4300	3.4300	BE	10,322,295	3.4394	3.4300	354,055	E
Thayer R-II School District	Operating Funds-Schools	26,047,536	2.7500	2.7500	E	27,939,807	2.7500	2.7500	768,345	E
	Debt Service	26,047,536	1.0090	0.9200	E	27,939,807	1.0958	0.9200	257,046	E
Oregon-Howell R-III School District	Operating Funds-Schools	11,397,709	2.7045	2.7045	E	11,881,333	2.7436	2.7400	325,549	E
	Operating Funds-Temp	11,397,709	0.8255	0.8255	AE	11,881,333	0.8255	0.6900	81,981	E 2022
	Debt Service	11,397,709	0.7940	0.0000	E	11,881,333	1.7702	0.1000	11,881	E
Alton R-IV School District	Operating Funds-Schools	29,222,082	2.7500	2.7500	E	30,918,737	2.7500	2.7500	850,265	E
Oregon County	General Revenue	79,233,754	0.3416	0.0700		84,387,504	0.3416	0.0900	75,949	
	Common Road District	48,773,795	0.2624	0.2500		51,677,689	0.2624	0.2500	129,194	
	Health	79,233,754	0.1000	0.1000		**	**	**		
	Senate Bill 40	79,233,754	0.1000	0.1000		84,387,504	0.1000	0.1000	84,388	
	Senior Services	79,233,754	0.0500	0.0500		84,387,504	0.0500	0.0500	42,194	
<u>Osage</u>										
Osage Ambulance District	General Revenue	117,618,821	0.2990	0.1400		119,194,026	0.2998	0.1400	166,872	
Chamois Spec Rd Dist Osage Co	Road & Bridge	5,209,346	0.3411	0.3411		5,210,594	0.3455	0.3455	18,003	
Linn City Spec Rd Dist Osage Co	Road & Bridge	15,510,820	0.2426	0.2426		15,787,746	0.2435	0.2435	38,443	
Starke Spec Rd Dist Osage Co	Road & Bridge	704,091	0.3500	0.3500		821,084	0.3500	0.3500	2,874	
Westphalia Spec Rd Dist Osage Co	Road & Bridge	4,020,127	0.2200	0.2200		4,073,173	0.2209	0.2209	8,998	
	Special Road and Bridge	4,020,127	0.1777	0.1738	A	4,073,173	0.1777	0.1777	7,238	2010
Village of Argyle	General Revenue	1,172,937	0.3688	0.2900		1,174,338	0.3730	0.3714	4,361	
City of Chamois	General Revenue	2,866,214	0.5976	0.5976		2,865,000	0.6071	0.6071	17,393	
City of Linn	General Revenue	15,357,891	0.5164	0.5164		15,698,557	0.5189	0.5189	81,460	
	Parks & Recreation	15,357,891	0.0500	0.0500		15,698,557	0.0500	0.0500	7,849	
City of Meta	General Revenue	4,258,972	0.4941	0.4300		4,573,135	0.5013	0.4300	19,664	
Osage County Library	General Revenue	176,295,860	0.1702	0.1702		178,911,641	0.1709	0.1709	305,760	
Chamois Fire Protection District	General Revenue	11,398,942	0.2910	0.2908		11,729,842	0.2910	0.2910	34,134	
Meta Fire & Rescue Fire Prot Dist	General Revenue	12,299,560	0.2943	0.2800		12,780,050	0.2962	0.2800	35,784	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Osage</u>										
Linn Fire Protection District	General Revenue	76,951,121	0.2698	0.2600		78,347,797	0.2705	0.2600	203,704	
Osage Co R-I School District	Operating Funds-Schools	12,882,977	4.3921	4.3613	E	12,943,945	4.4377	4.4377	574,413	E
Osage Co R-II School District	Operating Funds-Schools	53,259,681	2.7512	2.7512	E	54,787,584	2.7500	2.7500	1,506,659	E
	Debt Service	53,259,681	0.9602	0.5800	E	54,787,584	0.6128	0.5800	317,768	E
Osage Co R-III School District	Operating Funds-Schools	75,303,159	2.7500	2.7500	E	77,322,892	2.7500	2.7500	2,126,380	E
	Debt Service	75,303,159	0.0000	0.0000	E	**	**	**		
Osage County	General Revenue	176,340,010	0.3104	0.1683		178,911,641	0.3117	0.1777	317,926	
	Common Road District	149,119,202	0.2109	0.2109		151,106,054	0.2119	0.2119	320,194	
	Developmentally Disabled	176,340,010	0.0996	0.0996		178,911,641	0.1000	0.1000	178,912	
<u>Ozark</u>										
Village of Bakersfield	General Revenue	1,230,793	0.2507	0.2507		1,170,609	0.2683	0.2683	3,141	
	Health	1,230,793	0.1252	0.1252		1,170,609	0.1340	0.1340	1,569	
City of Gainesville	General Revenue	9,031,220	0.4081	0.4081		9,090,083	0.4090	0.4090	37,178	
City of Theodosia	General Revenue	3,712,271	0.2940	0.2940		4,190,877	0.2940	0.2940	12,321	
Ozark County Health Center	General Revenue	**	**	**		100,348,194	0.0896	0.0896	89,912	
Thornfield R-I School District	Operating Funds-Schools	5,787,779	2.7500	2.7500	E	5,870,748	2.7500	2.7500	161,446	E
	Debt Service	5,787,779	0.5914	0.5397	E	5,870,748	0.5639	0.5397	31,684	E
Bakersfield R-IV School District	Operating Funds-Schools	11,730,089	3.3218	3.2717	E	12,296,435	3.2873	3.2873	404,221	E
	Debt Service	11,730,089	0.3853	0.3500	E	12,296,435	0.3925	0.3500	43,038	E
Gainesville R-V School District	Operating Funds-Schools	43,020,342	2.7500	2.7500	E	44,361,296	2.7500	2.7500	1,219,936	E
	Debt Service	43,020,342	0.5207	0.4939	E	44,361,296	0.5210	0.4939	219,100	E
Dora R-III School District	Operating Funds-Schools	13,758,311	3.1147	3.1147	E	14,140,374	3.1184	3.1184	440,953	E
	Operating Funds-Temp	13,758,311	0.2098	0.2098	E	14,140,374	0.2098	0.2098	29,667	E 2017
	Debt Service	13,758,311	0.2035	0.2035	E	14,140,374	0.1980	0.1980	27,998	E
Lutie R-VI School District	Operating Funds-Schools	19,816,603	3.6500	3.4800	BE	17,848,726	3.7500	3.5500	633,630	E
	Debt Service	19,816,603	0.0000	0.0000	E	**	**	**		
Ozark County	General Revenue	97,596,937	0.3037	0.1750		100,348,194	0.3048	0.2234	224,178	
	Road & Bridge	97,596,937	0.2300	0.2300		100,348,194	0.2308	0.2308	231,604	
	Health	97,596,937	0.0893	0.0893		**	**	**		
	Ambulance	97,596,937	0.1196	0.1196		100,348,194	0.1200	0.1200	120,418	
<u>Pemiscot</u>										
City of Bragg City	General Revenue	551,414	0.5000	0.5000		394,920	0.5000	0.5000	1,975	
City of Caruthersville	General Revenue	44,008,313	0.5622	0.5622		41,215,126	0.6206	0.5600	230,805	
	Sewer	44,008,313	0.1913	0.1913		41,215,126	0.2112	0.1900	78,309	
	Library	44,008,313	0.0970	0.0970		41,215,126	0.1000	0.0900	37,094	
	Health	44,008,313	0.1688	0.1688		41,215,126	0.1863	0.1600	65,944	
	Cemetery	44,008,313	0.0485	0.0485		41,215,126	0.0500	0.0400	16,486	
Town of Cooter	General Revenue	3,595,576	1.0000	0.9600		3,307,067	1.0000	0.9800	32,409	
City of Hayti	General Revenue	20,922,610	0.5269	0.5269		20,079,280	0.5614	0.5614	112,725	
	Parks & Recreation	20,922,610	0.2376	0.2376		20,079,280	0.2532	0.2532	50,841	
	Library	20,922,610	0.1756	0.1756		20,079,280	0.1871	0.1871	37,568	
	Health	20,922,610	0.1447	0.1447		20,079,280	0.1542	0.1542	30,962	
	Cemetery	20,922,610	0.0500	0.0500		20,079,280	0.0500	0.0500	10,040	
City of Hayti Heights	General Revenue	1,063,983	0.7600	0.7600		867,950	0.9458	0.7600	6,596	
	Health	1,063,983	0.2000	0.2000		867,950	0.2000	0.2000	1,736	
Village of Holland	General Revenue	1,112,005	0.5594	0.5594		875,190	0.7156	0.5594	4,896	
City of Homestown	General Revenue	234,380	0.5931	0.5931		205,220	0.6000	0.6000	1,231	
City of Steele	General Revenue	12,297,692	0.5240	0.5240		11,479,508	0.5691	0.5691	65,330	
	Parks & Recreation	12,297,692	0.1512	0.1512		11,479,508	0.1642	0.1642	18,849	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Pemiscot</u>										
City of Steele	Library	12,297,692	0.1512	0.1512		11,479,508	0.1642	0.1642	18,849	
	Health	12,297,692	0.1512	0.1512		11,479,508	0.1642	0.1642	18,849	
Village of Wardell	General Revenue	1,379,829	0.6505	0.6500		1,589,595	0.6272	0.6200	9,855	
	Health	1,379,829	0.0984	0.0984		**	**	**		
Village of North Wardell	General Revenue	**	**	**		**	**	**		
	Health	**	**	**		**	**	**		
Pemiscot County Health Center	General Revenue	**	**	**		175,318,679	0.1000	0.1000	175,319	
North Pemiscot Co R-I School Dist	Operating Funds-Schools	17,091,448	3.5000	2.8500	E	17,415,691	3.4774	2.8500	496,347	E
Hayti R-II School District	Operating Funds-Schools	25,626,016	3.4441	3.2800	E	26,368,198	3.5820	3.5820	944,509	E
Pemiscot Co R-III School District	Operating Funds-Schools	9,750,287	3.9439	3.4300	E	10,032,945	4.0000	4.0000	401,318	E
	Debt Service	9,750,287	0.7646	0.4851	E	10,032,945	0.2167	0.2167	21,741	E
Cooter R-IV School District	Operating Funds-Schools	7,310,217	3.6691	3.4300	E	7,592,337	3.7500	3.6931	280,393	E
South Pemiscot Co R-V School Dist	Operating Funds-Schools	26,006,940	3.1690	3.1690	E	26,387,343	3.2437	3.2437	855,926	E
Pemiscot Co C-7 School District	Operating Funds-Schools	8,996,469	3.8500	2.9500	E	10,251,475	3.8500	3.8000	389,556	E
Caruthersville 18 School District	Operating Funds-Schools	45,050,071	3.7121	3.7121	E	45,639,550	3.8553	3.8553	1,759,542	E
	Debt Service	45,050,071	0.2095	0.2095	E	45,639,550	0.0000	0.0000	0	E
Pemiscot Co Special School District	Operating Funds-Schools	170,863,899	0.4814	0.4814		174,606,241	0.4814	0.4814	840,554	
	Debt Service	170,863,899	0.0203	0.0203		174,606,241	0.0463	0.0463	80,843	
Pemiscot County	General Revenue	171,632,254	0.3999	0.1811		175,318,679	0.3999	0.1897	332,580	
	Johnson Grass	171,632,254	0.0500	0.0500		175,318,679	0.0500	0.0500	87,659	
	Road & Bridge	171,632,254	0.2946	0.2946		175,318,679	0.2946	0.2946	516,489	
	Health	171,632,254	0.1000	0.1000		**	**	**		
	Hospital	171,632,254	0.3789	0.3789		175,318,679	0.3789	0.3789	664,282	
	Senate Bill 40	171,632,254	0.1000	0.1000		175,318,679	0.1000	0.1000	175,319	
<u>Perry</u>										
City of Altenburg	General Revenue	4,746,810	0.4707	0.4707		4,872,075	0.4707	0.4707	22,933	
City of Frohna	General Revenue	5,254,828	0.5562	0.5562		5,960,475	0.5565	0.5565	33,170	
Village of Longtown	General Revenue	707,562	0.2944	0.2944		711,851	0.2974	0.2974	2,117	
City of Perryville	General Revenue	113,876,426	0.4798	0.3600		122,922,943	0.4798	0.3600	442,523	
	Parks & Recreation	113,876,426	0.1724	0.1600		122,922,943	0.1724	0.1600	196,677	
	Debt Service	113,876,426	0.2147	0.2100		122,922,943	0.2043	0.2000	245,846	
Perry County Library District	General Revenue	269,894,801	0.0898	0.0898		287,044,670	0.0898	0.0898	257,766	
Perry County Health Department	General Revenue	**	**	**		287,044,670	0.1795	0.1795	515,245	
Perry Co 32 School District	Operating Funds-Schools	238,639,472	3.2134	3.2134	E	255,337,403	3.1979	3.1979	8,165,435	E
Altenburg 48 School District	Operating Funds-Schools	15,673,392	3.6038	3.4300	BE	16,643,649	3.6038	3.6013	599,388	E
Perry County	General Revenue	269,894,801	0.4288	0.1800		287,044,670	0.4288	0.1800	516,680	
	Road & Bridge	269,894,801	0.3091	0.3000		287,044,670	0.3091	0.3000	861,134	
	Health	269,894,801	0.1795	0.1795		**	**	**		
	Hospital	269,894,801	0.0898	0.0898		287,044,670	0.0898	0.0898	257,766	
	Mental Health	269,894,801	0.0898	0.0898		287,044,670	0.0898	0.0898	257,766	
	Senate Bill 40	269,894,801	0.0898	0.0898		287,044,670	0.0898	0.0898	257,766	
<u>Pettis</u>										
City of Green Ridge	General Revenue	2,594,943	0.9186	0.9186		2,837,418	0.8729	0.8729	24,768	
City of Houstonia	General Revenue	1,086,522	0.9322	0.9322		1,062,991	0.9585	0.9585	10,189	
Village of Hughesville	General Revenue	1,040,809	0.3792	0.3792		1,074,306	0.3793	0.3793	4,075	
	General Revenue-Temp	1,040,809	0.2773	0.2773		**	**	**		2007
	General Revenue-Temp	**	**	**		1,074,306	0.3000	0.3000	3,223	A 2011
City of La Monte	General Revenue	5,954,560	0.8028	0.8028		6,730,193	0.8028	0.8028	54,030	
	Parks & Recreation	5,954,560	0.0364	0.0364		6,730,193	0.0364	0.0364	2,450	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Pettis</u>										
City of Sedalia	General Revenue	230,275,301	0.4209	0.4209		229,080,302	0.4250	0.4250	973,591	
	Parks & Recreation	230,275,301	0.2927	0.1464		229,080,302	0.2956	0.1478	338,581	
	Library	195,075,321	0.2033	0.2021		193,242,642	0.2059	0.2047	395,568	
	Police	230,275,301	0.0823	0.0823		229,080,302	0.0831	0.0831	190,366	
	Fire	230,275,301	0.0450	0.0450		229,080,302	0.0454	0.0454	104,002	
City of Smithton	General Revenue	3,871,368	0.7982	0.7982		3,918,580	0.7997	0.7997	31,337	
Boonslick Regional Library	General Revenue	746,540,472	0.1377	0.1377		758,491,717	0.1379	0.1379	1,045,960	
Pettis County Fire Prot Dist #1	General Revenue	201,030,147	0.2791	0.2772		201,754,372	0.2825	0.2791	563,096	
Sedalia Special Business District	General Revenue	5,614,220	0.5984	0.5984		5,405,550	0.6215	0.6215	33,595	
Pettis County Health Center	General Revenue	**	**	**		516,523,721	0.0866	0.0866	447,310	
State Fair Community College	General Revenue	744,063,154	0.3990	0.3990		749,988,263	0.4008	0.4008	3,005,953	
Pettis Co R-V School District	Operating Funds-Schools	21,702,170	3.3349	3.3349	E	21,918,300	3.3499	3.3499	734,241	E
	Debt Service	21,702,170	0.5827	0.4303	E	21,918,300	0.6488	0.4303	94,314	E
La Monte R-IV School District	Operating Funds-Schools	17,227,780	3.2004	2.9500	E	18,118,182	3.2715	2.9500	534,486	E
	Debt Service	17,227,780	1.1883	0.8000	E	18,118,182	0.8614	0.8000	144,945	E
Smithton R-VI School District	Operating Funds-Schools	33,725,723	2.7949	2.7949	E	34,468,997	2.7924	2.7924	962,512	E
	Operating Funds-Temp	33,725,723	0.5684	0.5684	E	34,468,997	0.5684	0.5684	195,922	E 2011
	Debt Service	33,725,723	0.5997	0.5124	E	34,468,997	0.5250	0.5124	176,619	E
Green Ridge R-VIII School District	Operating Funds-Schools	20,331,750	3.3628	3.3628	E	21,016,810	3.3602	3.3602	706,207	E
	Debt Service	20,331,750	0.5275	0.5272	E	21,016,810	0.6293	0.5298	111,347	E
Pettis Co R-XII School District	Operating Funds-Schools	53,792,525	3.2809	2.8900	E	53,255,288	3.2652	2.9900	1,592,333	E
Sedalia 200 School District	Operating Funds-Schools	323,633,382	2.9101	2.9101	E	324,360,149	2.9627	2.9627	9,609,818	E
	Operating Funds-Temp	323,633,382	0.8628	0.8628	AE	324,360,149	0.8628	0.8628	2,798,579	E 2026
Pettis County	General Revenue	516,889,282	0.3807	0.0257		516,523,721	0.3845	0.0257	132,747	
	Johnson Grass	516,889,282	0.0460	0.0050		516,523,721	0.0465	0.0050	25,826	
	Road & Bridge	516,889,282	0.2760	0.2760		516,523,721	0.2787	0.2787	1,439,552	
	Health	516,889,282	0.0857	0.0857		**	**	**		
	Developmentally Disabled	516,889,282	0.0857	0.0857		516,523,721	0.0866	0.0866	447,310	
<u>Phelps</u>										
St. James Ambulance District	General Revenue	108,392,007	0.1289	0.0151		111,973,485	0.1289	0.0000	0	
City of Doolittle	General Revenue	4,255,099	0.2674	0.2674		5,608,442	0.2679	0.2679	15,025	
City of Newburg	General Revenue	1,820,620	0.6441	0.6441		1,811,122	0.6499	0.6499	11,770	
	Library	1,820,620	0.1739	0.1739		1,811,122	0.1755	0.1755	3,179	
City of Rolla	General Revenue	186,530,545	0.4443	0.4443		230,654,760	0.4454	0.4454	1,027,336	
	Parks & Recreation	186,530,545	0.1094	0.1094		230,654,760	0.1097	0.1097	253,028	
	Library	186,530,545	0.1853	0.1853		230,654,760	0.1858	0.1858	428,557	
City of St. James	General Revenue	33,807,870	0.3861	0.3845		47,542,432	0.3883	0.3883	184,607	
	Parks & Recreation	33,807,870	0.0600	0.0597		47,542,432	0.0603	0.0603	28,668	
City of Edgar Springs	General Revenue	1,563,826	0.4416	0.4416		1,521,621	0.4539	0.4539	6,907	
Doolittle Rural Fire Prot Dist	General Revenue	23,817,019	0.2225	0.2225		25,650,780	0.2213	0.2213	56,765	
Rolla Rural Fire Protection Dist	General Revenue	131,039,948	0.2287	0.2287		136,534,214	0.2287	0.2287	312,254	
Duke Fire Protection District	General Revenue	4,828,591	0.2219	0.2219		5,033,643	0.2219	0.2219	11,170	
St. James Fire Protection District	General Revenue	95,668,450	0.2324	0.2324		104,194,233	0.2324	0.2324	242,147	
St. James R-I School District	Operating Funds-Schools	103,479,633	2.6600	2.6600	E	107,205,172	2.7500	2.7500	2,948,142	E
	Debt Service	103,479,633	0.8292	0.5300	E	107,205,172	0.5809	0.5300	568,187	E
Newburg R-II School District	Operating Funds-Schools	24,507,265	2.7500	2.7500	E	25,057,445	2.7500	2.7500	689,080	E
	Debt Service	24,507,265	1.4176	0.2500	E	25,057,445	0.9941	0.2500	62,644	E
Rolla 31 School District	Operating Funds-Schools	357,030,344	3.2273	2.7926		361,602,493	3.2606	2.8429	10,279,997	
	Debt Service	357,030,344	0.3459	0.2500		361,602,493	0.3815	0.2500	904,006	
Phelps Co R-III School District	Operating Funds-Schools	16,496,510	2.7500	2.7500	E	16,687,594	2.7500	2.7500	458,909	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Phelps</u>										
Phelps Co R-III School District	Debt Service	16,496,510	0.2408	0.2408	E	16,687,594	0.0809	0.0809	13,500	E
Phelps County	General Revenue	511,330,021	0.2731	0.1375		518,030,862	0.2746	0.1471	762,023	
	Road & Bridge	511,330,021	0.1951	0.0844		518,030,862	0.1962	0.0901	466,746	
	Developmentally Disabled	511,330,021	0.0702	0.0702		518,030,862	0.0706	0.0706	365,730	
<u>Pike</u>										
Village of Annada	General Revenue	404,378	0.5819	0.5819		393,011	0.5987	0.5987	2,353	
City of Bowling Green	General Revenue	30,438,248	0.5930	0.5930		30,706,091	0.5982	0.5982	183,684	
	Parks & Recreation	30,438,248	0.0915	0.0000		30,706,091	0.0923	0.0000	0	
	Library	30,438,248	0.1829	0.1829		30,706,091	0.1845	0.1845	56,653	
City of Clarksville	Cemetery	30,438,248	0.0915	0.0915		30,706,091	0.0923	0.0923	28,342	
	General Revenue	3,927,255	0.6642	0.6642		3,971,679	0.6642	0.6600	26,213	
	Debt Service	3,927,255	0.1885	0.1885		3,971,679	0.1903	0.1900	7,546	
City of Curryville	General Revenue	1,339,848	0.9200	0.9200		1,366,963	0.9232	0.9232	12,620	
Village of Eolia	General Revenue	3,846,538	0.3910	0.3910		3,895,916	0.3910	0.3910	15,233	
City of Frankford	General Revenue	1,830,276	0.9623	0.9623		1,843,443	0.9658	0.9658	17,804	
City of Louisiana	General Revenue	32,380,598	0.7199	0.7199		31,995,616	0.7320	0.7305	233,728	
	Library	32,380,598	0.0979	0.0979		31,995,616	0.0995	0.0995	31,836	
Buffalo Township Fire Prot Dist	General Revenue	34,445,466	0.2973	0.2973		34,430,403	0.3004	0.3004	103,429	
Pike Co Agency for Dev Disabilities	General Revenue	220,333,624	0.1906	0.1906		221,793,862	0.1915	0.1915	424,735	
Pike County Health Department	General Revenue	**	**	**		221,793,862	0.2406	0.2406	533,636	
Bowling Green R-I School District	Operating Funds-Schools	85,688,909	3.2729	3.2729	E	87,314,792	3.2656	3.2656	2,851,352	E
Pike Co R-III School District	Operating Funds-Schools	45,518,058	3.6055	3.6055	E	46,304,761	3.5495	3.5495	1,643,587	E
	Debt Service	45,518,058	0.7497	0.7497	E	46,304,761	1.0958	0.7497	347,147	E
Boncl R-X School District	Operating Funds-Schools	10,172,108	4.9174	4.0500		9,873,283	5.0400	4.0500	399,868	
Louisiana R-II School District	Operating Funds-Schools	46,638,665	3.5712	3.4300	BE	46,562,496	3.6007	3.5900	1,671,594	E
	Debt Service	46,638,665	0.5982	0.4600	E	46,562,496	0.5992	0.3000	139,687	E
Pike County	General Revenue	220,333,624	0.4234	0.2694		221,793,862	0.4255	0.2755	611,042	
	Road & Bridge	220,333,624	0.3069	0.3069		221,793,862	0.3084	0.3084	684,012	
	Health	220,333,624	0.2394	0.1800		**	**	**		
	Hospital	220,333,624	0.2107	0.2107		221,793,862	0.2117	0.2117	469,538	
<u>Platte</u>										
Northland Regional Ambulance Dist	General Revenue	445,356,880	0.4080	0.4080		463,051,510	0.4090	0.4090	1,893,881	
Southern Platte County Ambulance	General Revenue	463,514,245	0.1900	0.0800		477,327,684	0.1900	0.0900	429,595	
Platte Co Drainage Ditch Dist 1	General Revenue	2,437,655	0.0769	0.0769		2,114,587	0.0896	0.0896	1,895	
Farley Special Road Dist, Platte Co	Road & Bridge	14,404,497	0.3227	0.3227		14,207,281	0.3296	0.3296	46,827	
	Special Road and Bridge	14,404,497	0.3500	0.3500		14,207,281	0.3500	0.3500	49,725	2008
Parkville Spec Road Dist Platte Co	Road & Bridge	667,193,505	0.2499	0.2499		683,364,433	0.2499	0.2499	1,707,728	
Platte City Spec Rd Dist Platte Co	Road & Bridge	916,350,062	0.2778	0.2150		977,683,081	0.2778	0.2150	2,102,019	
Weston Spec Rd Dist Platte Co	Road & Bridge	53,318,168	0.2660	0.2660		67,938,152	0.2660	0.2660	180,715	
	Special Road and Bridge	53,318,168	0.3500	0.3500		**	**	**		2007
	Special Road and Bridge	**	**	**		67,938,152	0.3500	0.3500	237,784	A 2011
City of Camden Point	General Revenue	5,532,273	0.6658	0.6658		5,612,572	0.6658	0.6658	37,369	
City of Dearborn	General Revenue	5,108,792	0.4689	0.4689		5,290,424	0.4689	0.4689	24,807	
City of Edgerton	General Revenue	5,301,033	0.6573	0.6573		5,422,494	0.6573	0.6573	35,642	
Village of Farley	General Revenue	2,698,356	0.4483	0.4483		2,725,313	0.4552	0.4552	12,406	
Village of Ferrelview	General Revenue	2,451,013	0.4676	0.4361		2,486,745	0.4749	0.4749	11,810	
Village of Iatan	General Revenue	246,874	0.3882	0.3882		301,689	0.3964	0.3964	1,196	
City of Platte City	General Revenue	74,981,725	0.5240	0.5095		74,989,619	0.5314	0.5095	382,072	
	Debt Service	74,981,725	1.6373	0.5000		74,989,619	1.6002	0.5000	374,948	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Platte</u>									
City of Platte Woods	General Revenue	10,640,483	0.7100	0.6000	10,300,805	0.7425	0.6000	61,805	
City of Tracy	General Revenue	2,180,684	0.6510	0.6510	2,461,947	0.6846	0.6846	16,854	
	Debt Service	2,180,684	0.8470	0.8470	2,461,947	5.7888	0.6814	16,776	
City of Weatherby Lake	General Revenue	40,795,338	1.0000	1.0000	41,114,785	1.0000	1.0000	411,148	
	Parks & Recreation	40,795,338	0.2069	0.2069	41,114,785	0.2069	0.2069	85,066	
	Debt Service	40,795,338	0.7360	0.5596	41,114,785	0.7003	0.7003	287,927	
City of Weston	General Revenue	20,302,702	0.4520	0.4520	21,160,910	0.4520	0.4520	95,647	
	Parks & Recreation	20,302,702	0.1646	0.1646	21,160,910	0.1646	0.1646	34,831	
	Lights	20,302,702	0.1279	0.1279	21,160,910	0.1279	0.1279	27,065	
City of Lake Waukomis	General Revenue	13,825,224	0.7879	0.7879	13,789,063	0.7905	0.7905	109,003	
	General Revenue-Temp	13,825,224	0.7000	0.7000	13,789,063	0.7000	0.7000	96,523	2008
City of Parkville	General Revenue	167,927,385	0.4734	0.4734	174,550,798	0.4734	0.4734	826,323	
	General Revenue-Temp	167,927,385	0.1790	0.1250	174,550,798	0.1790	0.1220	212,952	2024
City of Northmoor	General Revenue	6,224,826	0.2912	0.0000	7,793,582	0.2915	0.0000	0	
Town of Ridgely	General Revenue	1,065,486	0.3029	0.3029	1,095,480	0.3029	0.3029	3,318	
City of Houston Lake	General Revenue	2,973,755	0.6253	0.6253	2,888,225	0.6439	0.6439	18,597	
	Fire	2,973,755	0.7087	0.7087	2,888,225	0.7298	0.7298	21,078	2008
Central Platte Fire Protection Dist	General Revenue	187,303,663	0.2997	0.2997	193,769,767	0.3028	0.3028	586,735	
	Debt Service	187,303,663	0.2525	0.2173	193,769,767	0.2646	0.0144	27,903	
Southern Platte Fire Prot Dist	General Revenue	384,991,528	0.9086	0.9086	397,143,441	0.9086	0.9086	3,608,445	
	Debt Service	384,991,528	0.0932	0.0932	397,143,441	0.0929	0.0929	368,946	
Weatherby Lake Fire Protection Dist	General Revenue	40,795,338	1.1300	1.1000	41,114,785	1.1300	1.0000	411,148	
West Platte Fire Protection Dist	General Revenue	86,707,546	0.3576	0.3576	169,298,570	0.3766	0.3766	637,578	
	Ambulance	86,707,546	0.3576	0.3576	169,298,570	0.3766	0.3766	637,578	
Camden Point Fire Protection Dist	General Revenue	18,765,636	0.4712	0.4712	19,023,585	0.4712	0.4712	89,639	
Smithville Area Fire Prot Dist	General Revenue	219,981,226	0.2699	0.2699	222,126,691	0.2749	0.2749	610,626	
Edgerton-Trimble Fire Prot Dist	General Revenue	35,031,099	0.4883	0.4883	35,866,548	0.4881	0.4881	175,065	
Dearborn Area Fire Protection Dist	General Revenue	24,676,993	0.5213	0.5213	24,907,821	0.5215	0.5215	129,894	
Platte County Health Department	General Revenue	**	**	**	2,116,432,815	0.0742	0.0742	1,570,393	
North Platte Co R-I School District	Operating Funds-Schools	50,476,728	3.6088	3.6088	E 51,823,122	3.6738	3.6738	1,903,878	E
	Operating Funds-Temp	50,476,728	0.2870	0.2870	E 51,823,122	0.2870	0.2870	148,732	E 2012
West Platte Co R-II School District	Operating Funds-Schools	96,516,707	3.9050	3.9050	E 179,250,018	3.7698	3.7698	6,757,367	E
	Debt Service	96,516,707	1.0713	0.6560	E 179,250,018	0.5644	0.5644	1,011,687	E
Platte Co R-III School District	Operating Funds-Schools	420,674,492	3.4937	3.2353	425,318,904	3.5906	3.3229	14,132,922	
	Debt Service	420,674,492	1.7072	0.9600	425,318,904	1.8666	0.8724	3,710,482	
Park Hill R-V School District	Operating Funds-Schools	1,310,454,667	4.6827	4.6467	E 1,398,771,715	4.6920	4.6920	65,630,369	E
	Debt Service	1,310,454,667	0.8104	0.6562	E 1,398,771,715	0.7637	0.6107	8,542,299	E
Platte County	General Revenue	1,947,408,113	0.3161	0.0300	2,116,432,815	0.3161	0.0200	423,287	
	Road & Bridge	294,981,361	0.2315	0.2315	373,239,870	0.2371	0.2371	884,952	
	Health	1,947,408,113	0.0742	0.0742	**	**	**		
	Mental Health	1,947,408,113	0.0928	0.0928	2,116,432,815	0.0928	0.0928	1,964,050	
	Senate Bill 40	1,947,408,113	0.1205	0.1205	2,116,432,815	0.1205	0.1205	2,550,302	
	Senior Services	1,947,408,113	0.0464	0.0464	2,116,432,815	0.0464	0.0464	982,025	
	Debt Service	1,947,408,113	0.1303	0.0000	2,116,432,815	0.3052	0.0000	0	
<u>Polk</u>									
Blue Mound Spec Rd Dist Polk Co	Road & Bridge	2,243,376	0.3475	0.3475	2,270,866	0.3500	0.3500	7,948	
Bolivar Spec Rd Dist Polk Co	Road & Bridge	96,088,515	0.1984	0.1984	97,900,740	0.1994	0.1994	195,214	
Flemington Spec Rd Dist Polk Co	Road & Bridge	1,493,905	0.3500	0.3500	1,590,381	0.3500	0.3500	5,566	
Humansville Spec Rd Dist Polk Co	Road & Bridge	10,226,568	0.2698	0.2698	10,273,819	0.2754	0.2754	28,294	
	Special Road and Bridge	10,226,568	0.3500	0.3500	10,273,819	0.3500	0.3500	35,958	2008

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Polk</u>										
Providence Spec Rd Dist Polk Co	Road & Bridge	1,736,049	0.3499	0.3499		1,711,637	0.3500	0.3500	5,991	
Southwest Special Rd Dist Polk Co	Road & Bridge	1,057,110	0.3500	0.3500		1,036,798	0.3500	0.3500	3,629	
Polk County Road District	Road & Bridge	155,088,384	0.2653	0.2653		159,049,538	0.2682	0.2682	426,571	
Village of Aldrich	General Revenue	495,933	0.3852	0.3852		508,841	0.3878	0.3500	1,781	
City of Bolivar	General Revenue	93,038,834	0.4506	0.0000		94,668,710	0.4531	0.0000	0	
	Parks & Recreation	93,038,834	0.0882	0.0000		94,668,710	0.0887	0.0000	0	
City of Fair Play	General Revenue	2,096,831	1.0000	1.0000		2,088,529	1.0000	1.0000	20,885	
City of Humansville	General Revenue	4,766,746	0.6227	0.6227		4,851,726	0.6251	0.6251	30,328	
City of Morrisville	General Revenue	1,867,152	0.4989	0.4989		1,890,964	0.5004	0.5004	9,462	
Polk County Library District	General Revenue	267,933,907	0.0863	0.0863		273,833,779	0.0869	0.0869	237,962	
Pleasant Hope Fire Protection Dist	General Revenue	**	**	**		22,089,219	0.3000	0.3000	66,268	A
Polk County Health Center	General Revenue	**	**	**		273,833,779	0.1763	0.1763	482,769	
Bolivar R-I School District	Operating Funds-Schools	146,422,280	3.3100	3.0800	E	150,960,830	3.3224	3.3100	4,996,803	E
	Debt Service	146,422,280	0.8561	0.4500	E	150,960,830	0.9219	0.4500	679,324	E
Fair Play R-II School District	Operating Funds-Schools	15,940,510	3.2034	2.7500	E	16,063,850	3.2752	2.7500	441,756	E
	Debt Service	15,940,510	1.8084	0.9800	E	16,063,850	1.1910	0.9800	157,426	E
Halfway R-III School District	Operating Funds-Schools	16,124,480	3.3303	3.3303	E	16,378,480	3.3810	3.3810	553,756	E
	Debt Service	**	**	**		16,378,480	1.1007	0.6000	98,271	E
Humansville R-IV School District	Operating Funds-Schools	18,807,784	2.8733	2.8600	E	19,354,652	2.8819	2.8819	557,782	E
	Debt Service	18,769,944	0.4594	0.3900	E	19,335,794	0.9979	0.3900	75,410	E
Marion C. Early R-V School District	Operating Funds-Schools	31,314,630	3.1399	2.8100	F	32,379,120	3.2028	2.8100	909,853	F
	Debt Service	31,314,630	0.4922	0.4500	F	32,379,120	0.7162	0.4900	158,658	F
Pleasant Hope R-VI School District	Operating Funds-Schools	37,428,410	2.4637	2.4637	E	38,133,387	2.5029	2.5029	954,441	E
	Capital Improvements	37,428,410	0.6563	0.6563	E	38,133,387	0.6626	0.6626	252,672	E 2016
	Debt Service	37,428,410	0.8759	0.6000	E	38,133,387	0.6325	0.6000	228,800	E
Polk County	General Revenue	267,933,907	0.3067	0.3067		273,833,779	0.3088	0.3088	845,599	
	Health	267,933,907	0.1763	0.1763		**	**	**		
	Senate Bill 40	267,933,907	0.0863	0.0200		273,833,779	0.0869	0.0200	54,767	
	Senior Services	267,933,907	0.0477	0.0477		273,833,779	0.0480	0.0480	131,440	
<u>Pulaski</u>										
Dixon Ambulance District	General Revenue	57,277,207	0.2773	0.2773		58,754,232	0.2776	0.2776	163,102	
Pulaski County Ambulance District	General Revenue	307,855,798	0.2607	0.0000		327,810,468	0.2607	0.0000	0	
City of Crocker	General Revenue	7,968,250	0.6444	0.6444		7,941,075	0.6527	0.6527	51,831	
	Parks & Recreation	7,968,250	0.1618	0.1618		7,941,075	0.1639	0.1639	13,015	
City of Dixon	General Revenue	12,624,970	0.4378	0.4378		12,998,640	0.4405	0.4370	56,804	
	Library	12,624,970	0.0452	0.0452		12,998,640	0.0455	0.0450	5,849	
	Debt Service	12,624,970	0.8251	0.6180		12,998,640	1.2480	0.6180	80,332	
City of St. Robert	General Revenue	71,222,710	0.2997	0.2997		76,115,590	0.2997	0.2997	228,118	
City of Waynesville	General Revenue	40,429,750	0.5546	0.5546		43,801,075	0.5546	0.5546	242,921	
City of Richland	General Revenue	12,891,365	0.5916	0.5916		13,022,274	0.6003	0.6003	78,173	
Pulaski County Library	General Revenue	329,966,187	0.1295	0.1295		349,977,075	0.1295	0.1295	453,220	
Hazelgreen Fire Protection District	General Revenue	18,928,656	0.2636	0.2636		20,064,247	0.2636	0.2636	52,889	
Crocker Fire Protection District	General Revenue	22,542,418	0.2782	0.2782		23,075,291	0.2810	0.2810	64,842	
Waynesville Rural Fire Prot Dist	General Revenue	124,533,219	0.2190	0.2190		133,378,173	0.2190	0.2190	292,098	
Dixon Rural Fire Protection Dist	General Revenue	59,357,220	0.2691	0.2691		60,781,059	0.2709	0.2691	163,562	
Pulaski County Health Department	General Revenue	**	**	**		362,975,715	0.0706	0.0706	256,261	
Swedeborg R-III School District	Operating Funds-Schools	4,694,570	2.7500	2.7500	E	4,879,397	2.7500	2.7500	134,183	E
Pulaski Co R-IV School District	Operating Funds-Schools	29,015,569	2.7500	2.7500	E	29,704,351	2.7500	2.7500	816,870	E
Laquey R-V School District	Operating Funds-Schools	27,233,722	2.7500	2.7500	E	28,450,183	2.7500	2.7500	782,380	E
	Debt Service	27,233,722	0.1752	0.1752	E	28,450,183	0.1411	0.1411	40,143	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Pulaski</u>										
Waynesville R-VI School District	Operating Funds-Schools	214,659,037	2.7500	2.7500	E	232,067,136	2.7500	2.7500	6,381,846	E
Dixon R-I School District	Operating Funds-Schools	54,434,737	2.7500	2.7500	E	56,004,816	2.7500	2.7500	1,540,132	E
	Debt Service	54,434,737	0.2700	0.2700	E	56,004,816	0.2701	0.2701	151,269	E
Crocker R-II School District	Operating Funds-Schools	26,061,857	2.7500	2.7500	E	26,388,864	2.7500	2.7500	725,694	E
	Debt Service	26,061,857	0.7240	0.7240	E	26,388,864	0.6109	0.6109	161,210	E
Pulaski County	General Revenue	342,591,157	0.2650	0.0000		362,975,715	0.2650	0.0000	0	
	Road & Bridge	342,591,157	0.1945	0.1826		362,975,715	0.1945	0.1826	662,794	
	Health	342,591,157	0.0706	0.0706		**	**	**		
	Senate Bill 40	342,591,157	0.0706	0.0706		362,975,715	0.0706	0.0706	256,261	
	Senior Services	342,591,157	0.0441	0.0441		362,975,715	0.0441	0.0441	160,072	
<u>Putnam</u>										
Putnam County Ambulance District	General Revenue	67,735,062	0.3803	0.3803		67,871,859	0.3867	0.3867	262,460	
Putnam County Care Center	General Revenue	67,735,062	0.1426	0.1426		67,871,859	0.1450	0.1450	98,414	
Unionville Spec Road Dist Putnam Co	Road & Bridge	11,239,322	0.3087	0.3087		11,291,506	0.3091	0.3091	34,902	
	Special Road and Bridge	11,239,322	0.3437	0.3437		11,291,506	0.3442	0.3442	38,865	2009
Lake Thunderhead Spec Rd District	Road & Bridge	13,115,292	0.3447	0.3447		13,853,326	0.3447	0.3447	47,752	
	Special Road and Bridge	13,115,292	0.3432	0.3432		13,853,326	0.3432	0.3432	47,545	2008
Village of Livonia	General Revenue	286,228	0.4951	0.4951		286,963	0.5000	0.5000	1,435	
Village of Lucerne	General Revenue	1,274,205	0.4688	0.4688		1,278,241	0.4691	0.4691	5,996	
Village of Powersville	General Revenue	332,440	0.4665	0.4665		353,086	0.4686	0.4686	1,655	
City of Unionville	General Revenue	10,882,413	0.9340	0.9340		10,924,173	0.9363	0.9363	102,283	
	Parks & Recreation	10,882,413	0.1888	0.1888		10,924,173	0.1893	0.1893	20,679	
	Fire	10,882,413	0.1888	0.1888		10,924,173	0.1893	0.1893	20,679	
Village of Worthington	General Revenue	271,038	0.3515	0.3515		231,422	0.4136	0.4136	957	
Elm Township of Putnam Co	Road & Bridge	5,963,967	0.3986	0.3986		6,022,207	0.4045	0.4045	24,360	
	Special Road and Bridge	5,897,004	0.3500	0.3500	A	6,022,207	0.3500	0.3500	21,078	2010
Grant Township of Putnam Co	Road & Bridge	1,838,075	0.4463	0.4463		1,830,698	0.4540	0.4540	8,311	
	Special Road and Bridge	1,838,075	0.3500	0.3500		1,830,698	0.3500	0.3500	6,407	2008
Jackson Township of Putnam Co	Road & Bridge	2,654,533	0.4895	0.4895		2,755,396	0.4930	0.4930	13,584	
	Special Road and Bridge	2,648,456	0.3500	0.3500	A	2,755,396	0.3500	0.3500	9,644	2010
Liberty Township of Putnam Co	Road & Bridge	3,006,366	0.4968	0.4968		3,030,533	0.5000	0.5000	15,153	
	Special Road and Bridge	3,006,366	0.3478	0.3478		3,030,533	0.3500	0.3500	10,607	2008
Lincoln Township of Putnam Co	Road & Bridge	5,131,704	0.5000	0.5000		4,556,222	0.5000	0.5000	22,781	
	Special Road and Bridge	5,131,704	0.3500	0.3500		4,556,222	0.3500	0.3500	15,947	2008
Medicine Township of Putnam Co	Road & Bridge	7,574,942	0.5000	0.5000		6,906,090	0.5000	0.5000	34,530	
	Special Road and Bridge	7,574,942	0.3500	0.3500		6,906,090	0.3500	0.3500	24,171	2008
Richland Township of Putnam Co	Road & Bridge	3,091,126	0.4777	0.4777		3,319,514	0.4838	0.4838	16,060	
	Special Road and Bridge	3,091,126	0.3500	0.3500		3,319,514	0.3500	0.3500	11,618	2008
Sherman Township of Putnam Co	Road & Bridge	2,120,179	0.5000	0.5000		2,123,100	0.5000	0.5000	10,616	
	Special Road and Bridge	2,120,179	0.3500	0.3500		2,123,100	0.3500	0.3500	7,431	2008
Union Township of Putnam Co	Road & Bridge	4,457,124	0.4768	0.4768		4,505,282	0.4829	0.4829	21,756	
	Special Road and Bridge	4,430,039	0.3500	0.3500	A	4,505,282	0.3500	0.3500	15,768	2010
Wilson Township of Putnam Co	Road & Bridge	3,784,554	0.4933	0.4933		3,764,625	0.5000	0.5000	18,823	
	Special Road and Bridge	3,784,554	0.3453	0.3453		3,764,625	0.3500	0.3500	13,176	2008
York Township of Putnam Co	Road & Bridge	3,858,290	0.4859	0.4859		4,007,905	0.4859	0.4859	19,474	
	Special Road and Bridge	3,858,290	0.3406	0.3406		4,007,905	0.3406	0.3406	13,651	2008
	Debt Service	3,845,594	0.2566	0.2566		4,007,905	0.1959	0.1959	7,851	
Elm Township Fire Protection Dist	General Revenue	5,963,967	0.2847	0.2847		6,022,207	0.2889	0.2889	17,398	
Liberty Fire Protection District	General Revenue	3,006,366	0.2910	0.2910		3,030,533	0.2965	0.2965	8,986	
Grant Township Fire Protection Dist	General Revenue	1,838,075	0.2907	0.2907		1,830,698	0.3000	0.3000	5,492	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Putnam</u>										
York Township Fire Protection Dist	General Revenue	**	**	**		4,505,282	0.3000	0.3000	13,516	A
Putnam County Health Department	General Revenue	**	**	**		67,871,859	0.2901	0.2901	196,896	
Putnam Co R-I School District	Operating Funds-Schools	63,335,228	3.3491	3.3400	E	63,802,861	3.3713	3.3713	2,150,986	E
	Debt Service	63,335,228	0.4974	0.3700	E	63,802,861	0.4009	0.3700	236,071	E
Putnam County	General Revenue	67,735,062	0.4755	0.4755		67,871,859	0.4835	0.4835	328,160	
	Library	67,735,062	0.1426	0.1426		67,871,859	0.1450	0.1450	98,414	
	Health	67,735,062	0.2853	0.2853		**	**	**		
	Hospital	67,735,062	0.4755	0.4755		67,871,859	0.4835	0.4835	328,160	
	Senior Services	67,735,062	0.0476	0.0476		67,871,859	0.0484	0.0484	32,850	
<u>Ralls</u>										
Ralls County Ambulance District #3	General Revenue	119,572,465	0.1800	0.1800		124,870,623	0.1800	0.1800	224,767	
City of Center	General Revenue	4,270,981	0.7510	0.7510		4,226,953	0.7633	0.7633	32,264	
	Fire	4,270,981	0.2000	0.2000		4,226,953	0.2000	0.2000	8,454	
City of New London	General Revenue	6,087,264	0.4767	0.4767		6,194,515	0.4771	0.4771	29,554	
City of Perry	General Revenue	6,278,971	0.5472	0.5472		6,722,126	0.5472	0.5472	36,783	
	Fire	6,278,971	0.0972	0.0972		6,722,126	0.0972	0.0972	6,534	
Ralls County Public Library	General Revenue	138,936,015	0.1298	0.1000		144,792,396	0.1300	0.1000	144,792	
Hannibal Rural Fire Protection Dist	General Revenue	66,805,976	0.1474	0.1474		73,059,444	0.1474	0.1474	107,690	
Ralls County Health Department	General Revenue	**	**	**		172,417,621	0.1000	0.1000	172,418	
Ralls Co R-II School District	Operating Funds-Schools	61,287,714	2.7500	2.7500	F	62,661,425	2.7500	2.7500	1,723,189	F
	Debt Service	61,287,714	0.8722	0.7100	F	62,661,425	0.7221	0.7100	444,896	F
Ralls County	General Revenue	162,476,186	0.3895	0.2546		172,417,621	0.3910	0.2650	456,907	
	Road & Bridge	162,476,186	0.2921	0.2700		172,417,621	0.2932	0.2800	482,769	
	Health	162,476,186	0.1000	0.1000		**	**	**		
<u>Randolph</u>										
Randolph County Ambulance District	General Revenue	322,685,953	0.1900	0.0000		385,532,435	0.1900	0.0000	0	
Moberly Spec Rd Dist Randolph Co	Special Road and Bridge	166,165,390	0.0864	0.0864		**	**	**		2007
	Special Road and Bridge	**	**	**		163,513,346	0.0900	0.0900	147,162	A 2011
Village of Cairo	General Revenue	1,539,574	0.4926	0.4926		1,570,956	0.4926	0.4926	7,739	
	General Revenue-Temp	1,539,574	0.2069	0.2069		**	**	**		2007
	General Revenue-Temp	**	**	**		1,570,956	0.2100	0.2100	3,299	A 2011
City of Clark	General Revenue	1,422,855	1.0000	1.0000		1,450,000	1.0000	1.0000	14,500	
City of Clifton Hill	General Revenue	659,823	0.7420	0.7420		662,591	0.7446	0.7446	4,934	
City of Higbee	General Revenue	2,415,915	0.9050	0.9050		2,336,399	0.8800	0.8800	20,560	
	Parks & Recreation	2,415,915	0.1479	0.1305		2,336,399	0.1500	0.1500	3,505	
City of Huntsville	General Revenue	9,392,582	0.7342	0.7342		9,785,164	0.7406	0.7406	72,469	
	Parks & Recreation	9,392,582	0.0974	0.0974		9,785,164	0.0982	0.0982	9,609	
	Fire	9,392,582	0.1911	0.1911		9,785,164	0.1928	0.1928	18,866	
	Cemetery	9,392,582	0.1810	0.1810		9,785,164	0.1826	0.1826	17,868	
Village of Jacksonville	General Revenue	498,452	0.5000	0.5000		501,023	0.5000	0.5000	2,505	
	Parks & Recreation	498,452	0.3999	0.3999		501,023	0.4000	0.4000	2,004	
City of Moberly	General Revenue	130,627,514	0.6763	0.6763		128,192,854	0.6971	0.6971	893,632	
	Parks & Recreation	130,627,514	0.3138	0.3138		128,192,854	0.3235	0.3235	414,704	
Village of Renick	General Revenue	935,312	0.5000	0.5000		996,192	0.5000	0.5000	4,981	
Randolph County Library	General Revenue	322,685,953	0.2500	0.2400		385,532,435	0.2500	0.2500	963,831	
Higbee Fire Protection District	General Revenue	15,972,090	0.2423	0.2423		18,531,989	0.2460	0.2460	45,589	
Southeastern Fire Protection Dist	General Revenue	11,332,190	0.3000	0.3000	A	17,711,133	0.3000	0.3000	53,133	
Randolph County Health Department	General Revenue	**	**	**		385,532,435	0.1500	0.1500	578,299	
Moberly Area Jr. College	General Revenue	164,303,120	0.3250	0.3248		168,239,754	0.3255	0.3248	546,443	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Randolph</u>										
Northeast Randolph Co R-IV Sch Dist	Operating Funds-Schools	19,160,630	3.5072	3.5072	E	19,923,112	3.4266	3.4266	682,685	E
	Debt Service	19,160,630	0.9834	0.9000	E	19,923,112	1.0005	0.8700	173,331	E
Renick R-V School District	Operating Funds-Schools	10,932,480	3.9121	3.5556	E	12,679,459	3.8568	3.8568	489,021	E
	Operating Funds-Temp	10,932,480	0.4644	0.4644	E	12,679,459	0.4644	0.4644	58,883	E 2025
Higbee R-VIII School District	Operating Funds-Schools	9,460,480	3.5394	3.5394	E	9,632,197	3.4996	3.4996	337,088	E
	Debt Service	9,460,480	1.0370	1.0000	E	9,632,197	1.6822	1.0000	96,322	E
Westran R-I School District	Operating Funds-Schools	92,746,210	3.7500	3.7500		148,453,666	3.6719	3.6719	5,451,070	
Moberly School District	Operating Funds-Schools	151,643,795	3.6297	3.4800	E	152,591,702	3.5994	3.5994	5,492,386	E
	Debt Service	151,643,795	0.9280	0.5800	E	152,591,702	0.8171	0.6000	915,550	E
Randolph County	General Revenue	322,685,953	0.3769	0.1782		385,532,435	0.3787	0.1776	684,706	
	Road & Bridge	322,685,953	0.2013	0.2013		385,532,435	0.2023	0.2023	779,932	
	Health	322,685,953	0.1500	0.1500		**	**	**		
<u>Ray</u>										
Ray County Ambulance District	General Revenue	214,820,847	0.2974	0.2974		217,588,515	0.2974	0.2974	647,108	
Senior Citizen's Nursing Home Dist	General Revenue	264,235,365	0.1419	0.1419		267,894,107	0.1419	0.1419	380,142	
Willow Creek Watershed Subdistrict	General Revenue	12,793,670	0.4000	0.4000		13,281,870	0.4000	0.4000	53,127	
Camden Special Road Dist Ray Co	Road & Bridge	8,472,577	0.3500	0.3500		8,801,485	0.3500	0.3500	30,805	
	Special Road and Bridge	8,472,577	0.2400	0.2400		**	**	**		2007
	Special Road and Bridge	**	**	**		8,801,485	0.2400	0.2400	21,124	A 2011
Hardin Spec Rd Dist Ray Co	Road & Bridge	11,515,943	0.3500	0.3500		11,363,361	0.3500	0.3500	39,772	
Henrietta Spec Rd Dist Ray Co	Road & Bridge	5,088,285	0.3500	0.3500		5,326,096	0.3500	0.3500	18,641	
Lawson Special Road Dist Ray Co	Road & Bridge	32,609,324	0.2486	0.2486		33,312,176	0.2486	0.2486	82,814	
	Special Road and Bridge	32,609,324	0.3000	0.3000		**	**	**		2007
	Special Road and Bridge	**	**	**		33,312,176	0.3000	0.3000	99,937	A 2011
Orrick Spec Rd Dist Ray Co	Road & Bridge	15,539,043	0.3348	0.3348		16,507,370	0.3348	0.3348	55,267	
Richmond Spec Rd Dist Ray Co	Road & Bridge	81,884,696	0.2467	0.2467		82,203,407	0.2481	0.2481	203,947	
Ray County Special Road District	Road & Bridge	107,412,875	0.2464	0.2464		108,543,410	0.2464	0.2464	267,451	
City of Camden	General Revenue	1,307,636	0.6283	0.6283		1,351,748	0.6283	0.6283	8,493	
	Streets	1,307,636	1.3827	1.3827		**	**	**		2007
	Fire	1,307,636	0.0497	0.0497		**	**	**		2007
	Fire Temporary	1,307,636	0.1500	0.1500		1,351,748	0.1500	0.1500	2,028	2008
	Streets	**	**	**		1,351,748	0.0100	1.3927	18,826	AD
	Fire	**	**	**		1,351,748	0.1500	0.1997	2,699	AD
Village of Elmira	General Revenue	480,727	0.4414	0.4414		492,697	0.4413	0.4413	2,174	
City of Hardin	General Revenue	5,238,850	1.0000	1.0000		5,028,077	1.0000	1.0000	50,281	
City of Henrietta	General Revenue	2,760,890	1.0000	1.0000		2,902,541	1.0000	1.0000	29,025	
	Streets	2,760,890	0.3000	0.3000		2,902,541	0.3000	0.3000	8,708	2009
	Fire	2,760,890	0.3000	0.3000		2,902,541	0.3000	0.3000	8,708	2008
City of Orrick	General Revenue	6,576,442	0.6518	0.6518		7,243,742	0.6518	0.6518	47,215	
	Debt Service	6,576,442	0.3516	0.3516		7,243,742	0.2030	0.2030	14,705	
Village of Rayville	General Revenue	789,226	1.0000	0.5000		835,591	0.9974	0.5000	4,178	
	Fire	789,226	0.6500	0.6500		835,591	0.6483	0.6483	5,417	2008
City of Richmond	General Revenue	57,377,843	0.5926	0.5926		57,479,902	0.5975	0.5926	340,626	
	Parks & Recreation	57,377,843	0.1481	0.1481		57,479,902	0.1493	0.1481	85,128	
	Debt Service	57,377,843	0.7298	0.4253		57,479,902	0.6730	0.4253	244,462	
City of Wood Heights	General Revenue	7,496,586	0.3500	0.3500		7,476,143	0.3521	0.3521	26,323	
	Debt Service	7,496,586	0.6414	0.6414		7,476,143	0.5877	0.5877	43,937	
City of Homestead Village	General Revenue	886,631	0.5000	0.5000		899,112	0.4859	0.4859	4,369	
City of Excelsior Estates	General Revenue	472,141	1.0000	1.0000	A	484,955	1.0000	1.0000	4,850	
City of Crystal Lakes	General Revenue	3,899,910	1.0000	1.0000		3,864,793	1.0000	1.0000	38,648	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Ray</u>										
City of Crystal Lakes	Streets	3,899,910	0.3000	0.3000		3,864,793	0.3000	0.3000	11,594	2009
City of Lawson	General Revenue	23,819,300	0.6362	0.6362		23,483,617	0.6505	0.6505	152,761	
	Debt Service	23,819,300	1.1633	1.1633		23,483,617	1.1291	1.1291	265,154	
Ray County Library District	General Revenue	265,479,176	0.1043	0.1043		269,166,961	0.1043	0.1043	280,741	
Orrick Fire Protection District	General Revenue	26,137,757	0.2963	0.0700		27,494,556	0.2963	0.0440	12,098	
Wood Heights Fire Protection Dist	General Revenue	41,844,654	0.2779	0.2779		42,268,783	0.2794	0.2794	118,099	
Lawson Community Fire & Rescue Dist	General Revenue	78,092,215	0.2744	0.2744		79,080,479	0.2744	0.2744	216,997	
	Ambulance	78,092,215	0.6852	0.6852		79,080,479	0.6852	0.6852	541,859	
Hardin Fire Protection District	General Revenue	11,515,943	0.2000	0.2000		15,870,915	0.3000	0.3000	47,613	
Stet Fire Protection District	Fire	11,477,966	0.1800	0.1800		12,586,609	0.1727	0.1727	21,737	
Ray County Health Department	General Revenue	**	**	**		269,166,961	0.0954	0.0954	256,785	
Stet R-XV School District	Operating Funds-Schools	7,218,579	5.0074	5.0070	E	7,247,392	5.2001	5.2001	376,872	E
Lawson R-XIV School District	Operating Funds-Schools	64,656,454	3.2976	3.2976	E	65,440,227	3.2704	3.2704	2,140,157	E
	Debt Service	64,656,454	1.1893	0.9500	E	65,440,227	1.3614	0.9500	621,682	E
Orrick R-XI School District	Operating Funds-Schools	20,405,863	3.8503	3.8503	E	21,519,701	3.9038	3.9038	840,086	E
	Debt Service	20,405,863	1.3997	0.7500	E	21,519,701	1.5037	0.7500	161,398	E
Hardin-Central C-2 School District	Operating Funds-Schools	11,756,242	5.0500	4.7698	E	11,924,711	5.0500	4.6500	554,499	E
Richmond R-XVI School District	Operating Funds-Schools	101,861,419	4.0946	3.9847	E	102,907,940	4.0590	4.0590	4,177,033	E
	Debt Service	101,861,419	0.2279	0.2200	E	**	**	**		
Ray County	General Revenue	236,183,378	0.4318	0.0000		269,502,107	0.4116	0.0000	0	
	Health	236,183,378	0.1000	0.1000		**	**	**		
	Hospital	236,183,378	0.1896	0.1896		269,502,107	0.1807	0.1807	486,990	
	Mental Health	236,183,378	0.1000	0.1000		269,502,107	0.0953	0.0953	256,836	
	Senate Bill 40	236,183,378	0.1896	0.1896		269,502,107	0.1807	0.1807	486,990	
	Noxious Weed	236,183,378	0.0500	0.0000		269,502,107	0.0477	0.0477	128,553	
	Senior Services	**	**	**		269,502,107	0.0500	0.0500	134,751	A
<u>Reynolds</u>										
Reynolds County Ambulance District	General Revenue	129,320,899	0.1288	0.1288		151,764,291	0.1356	0.1356	205,792	
City of Bunker	General Revenue	1,878,251	0.4700	0.4700		1,943,752	0.4751	0.4751	9,235	
City of Centerville	General Revenue	892,072	0.5461	0.3500		878,367	0.5632	0.3500	3,074	
Reynolds County Library District	General Revenue	127,297,839	0.1777	0.1200		149,683,175	0.1872	0.1200	179,620	
Garwood Fire Protection District	General Revenue	2,345,023	0.3000	0.3000		2,430,065	0.3000	0.3000	7,290	
Northern Reynolds County Fire Prot	General Revenue	28,771,560	0.3000	0.2000		50,436,242	0.3000	0.2000	100,872	
Reynolds County Health Center	General Revenue	**	**	**		149,683,175	0.0944	0.0944	141,301	
Centerville R-I School District	Operating Funds-Schools	5,796,363	3.9460	3.8800	E	5,828,671	3.9451	3.9451	229,947	E
Southern Reynolds Co R-II Sch Dist	Operating Funds-Schools	27,784,349	3.7000	2.8456		28,187,338	3.7000	2.8422	801,141	
	Debt Service	27,784,349	0.8585	0.7800		28,187,338	0.8963	0.7800	219,861	
Bunker R-III School District	Operating Funds-Schools	58,791,518	2.7500	2.7500		59,258,842	2.7500	2.7500	1,629,618	
Lesterville R-IV School District	Operating Funds-Schools	27,671,785	3.4562	3.4300	E	49,317,399	3.6500	3.4300	1,691,587	E
Reynolds County	General Revenue	127,297,839	0.3550	0.2037		149,683,175	0.3740	0.2917	436,626	
	Road & Bridge	127,297,839	0.2611	0.2611		149,683,175	0.2751	0.2751	411,778	
	Health	127,297,839	0.0896	0.0896		**	**	**		
	Senate Bill 40	127,297,839	0.0896	0.0896		149,683,175	0.0944	0.0944	141,301	
	Senior Services	127,297,839	0.0269	0.0269		149,683,175	0.0283	0.0283	42,360	
<u>Ripley</u>										
Ripley County Ambulance District	General Revenue	67,141,888	0.2988	0.2988		66,765,543	0.3000	0.3000	200,297	
Ripley County Memorial Hospital	General Revenue	80,403,833	0.2983	0.2983		79,963,938	0.3000	0.3000	239,892	
Fourche Creek Watershed Sub Dist	General Revenue	3,708,760	0.1554	0.1554		3,687,500	0.1584	0.1584	5,841	
Bennett Special Road Dist Ripley Co	Road & Bridge	369,298	0.2064	0.1700		353,999	0.2153	0.1700	602	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Ripley</u>										
Current River Sp Rd Dist Ripley Co	Road & Bridge	772,186	0.2063	0.2063		688,180	0.2345	0.2345	1,614	
Doniphan Spec Rd Dist Ripley Co	Road & Bridge	38,446,832	0.2275	0.2275		38,307,248	0.2290	0.2290	87,724	
	Special Road and Bridge	38,446,832	0.1496	0.1496		38,307,248	0.1500	0.1500	57,461	2008
Fairdealing Spec Rd Dist Ripley Co	Road & Bridge	4,193,039	0.1965	0.1965		4,273,897	0.1965	0.1965	8,398	
Flatwoods Spec Rd Dist Ripley Co	Road & Bridge	1,993,331	0.3500	0.3500		1,986,407	0.3500	0.3500	6,952	
Jordan Spec Rd Dist Ripley Co	Road & Bridge	7,336,860	0.2020	0.2020		7,475,650	0.2020	0.2020	15,101	
Little Black Spec Rd Dist Ripley Co	Road & Bridge	1,375,851	0.3418	0.3418		1,326,079	0.3500	0.3500	4,641	
Logan Creek Spec Rd Dist Ripley Co	Road & Bridge	3,961,986	0.1989	0.1989		3,981,894	0.2039	0.1989	7,920	
Mabrey Bay Spec Rd Dist Ripley Co	Road & Bridge	204,092	0.2224	0.2224		195,692	0.2320	0.2320	454	
Naylor Spec Rd Dist Ripley Co	Road & Bridge	5,427,232	0.3098	0.3098		5,340,924	0.3148	0.3148	16,813	
	Special Road and Bridge	5,427,232	0.5000	0.5000	A	5,340,924	0.5000	0.5000	26,705	2009
Oxly Spec Rd Dist Ripley Co	Road & Bridge	2,481,734	0.3404	0.3404		2,413,598	0.3500	0.3500	8,448	
Pine Bardley Spec Rd Dist Ripley Co	Road & Bridge	2,459,098	0.1843	0.1843		2,378,360	0.1906	0.1843	4,383	
Ponder Gatewood Road Dist Ripley Co	Road & Bridge	5,185,889	0.1619	0.1619		5,132,479	0.1652	0.1652	8,479	
	Special Road and Bridge	5,185,889	0.3399	0.3399	A	5,132,479	0.3399	0.3399	17,445	2009
Poynor Spec Rd Dist Ripley Co	Road & Bridge	1,904,866	0.1841	0.1841		1,859,459	0.1886	0.1886	3,507	
Pratt Spec Rd Dist Ripley Co	Road & Bridge	460,141	0.2260	0.2260		438,580	0.2371	0.2371	1,040	
Purman Spec Rd Dist Ripley Co	Road & Bridge	2,425,846	0.1638	0.1638		2,446,381	0.1639	0.1639	4,010	
	Special Road and Bridge	2,425,846	0.3000	0.3000	A	2,446,381	0.3000	0.3000	7,339	2009
Running Water Sp Rd Dist Ripley Co	Road & Bridge	349,076	0.2216	0.1800		327,505	0.2363	0.1800	590	
Tucker Bay Spec Rd Dist Ripley Co	Road & Bridge	222,818	0.1782	0.1500		213,953	0.1856	0.1500	321	
Wolfe Creek Spec Rd Dist Ripley Co	Road & Bridge	833,658	0.2728	0.0912		823,650	0.2761	0.2761	2,274	
	Special Road and Bridge	833,658	0.2816	0.2816	A	823,650	0.2816	0.1000	824	2009
City of Doniphan	General Revenue	15,040,360	0.3891	0.3891		15,003,989	0.3908	0.3908	58,636	
City of Naylor	General Revenue	2,035,972	0.7694	0.7694		2,005,911	0.7976	0.7976	15,999	
Doniphan-Ripley County Library	General Revenue	80,403,833	0.1801	0.1801		79,963,938	0.1820	0.1820	145,534	
	Debt Service	80,403,833	0.0155	0.0155		79,963,938	0.0239	0.0239	19,111	
Ripley County Public Health Center	General Revenue	**	**	**		79,963,938	0.1500	0.1500	119,946	
Naylor R-II School District	Operating Funds-Schools	9,138,602	3.2980	3.2980	E	9,041,026	3.3484	3.3484	302,730	E
Doniphan R-I School District	Operating Funds-Schools	58,652,131	2.7500	2.7500	E	58,814,820	2.7500	2.7500	1,617,408	E
Ripley Co R-IV School District	Operating Funds-Schools	4,787,763	2.8379	2.7500	F	4,675,147	2.8500	2.7500	128,567	F
Ripley Co R-III School District	Operating Funds-Schools	4,498,031	2.7500	2.7500	E	4,455,614	2.7500	2.7500	122,529	E
Ripley County	General Revenue	80,403,833	0.3103	0.3103		79,963,938	0.3137	0.3137	250,847	
	Health	80,403,833	0.1492	0.1492		**	**	**		
	Senate Bill 40	80,403,833	0.0994	0.0994		79,963,938	0.1000	0.1000	79,964	
	Senior Services	80,403,833	0.0497	0.0497		79,963,938	0.0500	0.0500	39,982	
<u>St. Charles</u>										
St. Charles County Ambulance Dist	General Revenue	7,366,062,773	0.1170	0.1170		7,634,822,098	0.1170	0.1170	8,932,742	
	Debt Service	7,366,062,773	0.0164	0.0164		7,634,822,098	0.0196	0.0196	1,496,425	
Town of Augusta	General Revenue	6,725,829	0.1943	0.1943		6,666,692	0.1962	0.1962	13,080	
	Lights	6,725,829	0.0971	0.0971		6,666,692	0.0980	0.0980	6,533	
City of Lake St. Louis	General Revenue	306,115,639	0.5951	0.5951		320,489,454	0.5951	0.5951	1,907,233	
	Debt Service	306,115,639	0.3994	0.3994		320,489,454	0.4116	0.3994	1,280,035	
City of O'Fallon	General Revenue	1,548,342,490	0.3326	0.3324		1,608,705,578	0.3326	0.3324	5,347,337	
	Parks & Recreation	1,548,342,490	0.1210	0.1209		1,608,705,578	0.1210	0.0000	0	
	Debt Service	1,548,342,490	0.3682	0.2900		1,608,705,578	0.2840	0.2840	4,568,724	
City of Portage Des Sioux	General Revenue	5,048,449	0.6792	0.6792		5,083,643	0.6841	0.6841	34,777	
	Debt Service	5,048,449	0.1904	0.1904		5,083,643	0.3349	0.3349	17,025	
City of St. Charles	General Revenue	1,289,417,810	0.5001	0.5000		1,344,781,008	0.5001	0.5000	6,723,905	
	Parks & Recreation	1,289,417,810	0.2258	0.2250		1,344,781,008	0.2258	0.2250	3,025,757	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>St. Charles</u>									
City of St. Charles	Debt Service	1,289,417,810	0.1846	0.1560	1,344,781,008	0.1737	0.1560	2,097,858	
City of St. Peters	General Revenue	1,080,803,170	0.5345	0.5300	1,103,032,931	0.5349	0.5349	5,900,123	
	Debt Service	1,080,803,170	0.4646	0.2400	1,103,032,931	0.5129	0.2351	2,593,230	
City of Wentzville	General Revenue	603,230,779	0.8329	0.8329	659,195,881	0.8329	0.8329	5,490,442	
	Parks & Recreation	603,230,779	0.0750	0.0750	659,195,881	0.0750	0.0750	494,397	
City of St. Paul	General Revenue	40,260,358	0.1650	0.1650	42,607,981	0.1650	0.1650	70,303	
Town of Weldon Springs Heights	General Revenue	2,234,128	0.4482	0.4481	2,224,634	0.4503	0.4481	9,969	
City of New Melle	General Revenue	13,841,070	0.2141	0.2140	14,631,700	0.2144	0.2144	31,370	
City of Cottleville	General Revenue	81,425,327	0.3164	0.3164	85,675,759	0.3164	0.3164	271,078	
Town of Dardenne Prairie	General Revenue	240,596,554	0.1159	0.1159	252,974,674	0.1159	0.1159	293,198	
St. Charles City-County Library	General Revenue	7,366,062,773	0.1946	0.1946	7,634,822,098	0.1946	0.1946	14,857,364	
Cottleville Com Fire Prot District	General Revenue	1,204,548,246	0.4465	0.4465	1,240,433,573	0.4465	0.4465	5,538,536	
	Pension	1,204,548,246	0.0783	0.0460	1,240,433,573	0.0783	0.0500	620,217	
	Debt Service	1,204,548,246	0.0838	0.0500	1,240,433,573	0.0608	0.0450	558,195	
Lake St. Louis Fire Protection Dist	General Revenue	254,306,609	0.3671	0.3671	260,558,492	0.5371	0.5371	1,399,460	
	Pension	254,306,609	0.0240	0.0240	260,558,492	0.0240	0.0240	62,534	
O'Fallon Fire Protection District	General Revenue	1,424,925,480	0.5145	0.5145	1,453,592,921	0.5145	0.5145	7,478,736	
	Pension	1,424,925,480	0.0372	0.0372	1,453,592,921	0.0372	0.0372	540,737	
Wentzville Fire Protection Dist 13	General Revenue	1,247,416,830	0.4299	0.4299	1,352,964,039	0.4299	0.4299	5,816,392	
Augusta Fire Protection District	General Revenue	47,415,566	0.2239	0.2239	48,667,148	0.2239	0.2239	108,966	
New Melle Fire Protection District	General Revenue	204,754,356	0.4608	0.4608	210,766,699	0.4608	0.4608	971,213	
Orchard Farm Fire Protection Dist	General Revenue	28,458,404	0.2962	0.2962	28,701,506	0.2962	0.2962	85,014	
Central County Fire and Rescue	General Revenue	1,612,718,663	0.4672	0.4672	1,619,386,133	0.4684	0.4684	7,585,205	
	Pension	1,612,718,663	0.0403	0.0403	1,619,386,133	0.0404	0.0404	654,232	
	Debt Service	1,612,718,663	0.0828	0.0828	1,619,386,133	0.0509	0.0509	824,268	
Rivers Pointe Fire Protection Dist	Fire	47,193,162	0.2924	0.2000	71,968,394	0.2883	0.2000	143,937	
St. Charles Co. Community College	General Revenue	7,325,012,763	0.1694	0.1694	7,592,318,723	0.1694	0.1694	12,861,388	
	Debt Service	7,325,012,763	0.0797	0.0400	7,592,318,723	0.0925	0.0400	3,036,927	
Fort Zumwalt R-II School District	Operating Funds-Schools	2,146,805,075	3.6818	3.5818	E 2,179,116,932	3.6840	3.6840	80,278,668	E
	Operating Funds-Temp	2,146,805,075	0.1771	0.1771	E 2,179,116,932	0.1771	0.0771	1,680,099	E 2008
	Debt Service	2,146,805,075	0.6200	0.6200	E 2,179,116,932	0.6200	0.6200	13,510,525	E
Francis Howell R-III School Dist	Operating Funds-Schools	2,345,717,323	3.8568	3.6068	E 2,407,289,409	3.8587	3.7828	91,062,944	E
	Operating Funds-Temp	2,345,717,323	0.1741	0.1741	E 2,407,289,409	0.1741	0.0000	0	E 2008
	Debt Service	2,345,717,323	0.6713	0.6713	E 2,407,289,409	0.6713	0.6713	16,160,134	E
Wentzville R-IV School District	Operating Funds-Schools	1,457,749,797	3.5794	3.5794	E 1,563,148,714	3.5746	3.5746	55,876,314	E
	Debt Service	1,457,749,797	1.1300	0.7700	E 1,563,148,714	0.9721	0.7700	12,036,245	E
St. Charles R-VI School District	Operating Funds-Schools	962,623,784	3.2971	3.2971	E 986,117,739	3.5808	3.5800	35,303,015	BE
	Debt Service	962,623,784	1.1201	1.0729	E 986,117,739	1.0692	0.7200	7,100,048	E
St. Charles Co R-V School District	Operating Funds-Schools	264,163,419	3.8772	3.6951	307,985,457	3.8681	3.7290	11,484,778	
	Debt Service	264,163,419	0.8191	0.7300	307,985,457	0.7325	0.7300	2,248,294	
St. Charles County	General Revenue	7,366,062,773	0.2105	0.0020	7,634,822,098	0.2105	0.0020	152,696	
	Johnson Grass	7,366,062,773	0.0390	0.0000	7,634,822,098	0.0390	0.0000	0	
	Road & Bridge	7,366,062,773	0.2028	0.2025	7,634,822,098	0.2028	0.2025	15,460,515	
	Senate Bill 40	7,366,062,773	0.1247	0.1247	7,634,822,098	0.1247	0.1247	9,520,623	
	Dispatch	7,366,062,773	0.0390	0.0390	7,634,822,098	0.0390	0.0390	2,977,581	
<u>St. Clair</u>									
Ellett Memorial Hospital District	General Revenue	34,416,311	0.4921	0.4921	34,351,039	0.5000	0.5000	171,755	
Chloe Spec Rd Dist St. Clair Co	Special Road and Bridge	2,157,493	0.2900	0.2900	A 2,205,600	0.2900	0.2900	6,396	2010
Collins Spec Rd Dist St. Clair Co	Special Road and Bridge	6,580,569	0.2800	0.2800	6,998,604	0.2800	0.2800	19,596	2009
Hillsdale Spec Rd Dist St. Clair Co	Special Road and Bridge	1,473,014	0.3500	0.3500	1,564,558	0.3500	0.3500	5,476	2008

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>St. Clair</u>										
Lowry City Sp Rd Dist St. Clair Co	Special Road and Bridge	3,799,663	0.3200	0.3200	A	3,810,306	0.3200	0.3200	12,193	2010
Osceola Spec Rd Dist St. Clair Co	Special Road and Bridge	13,971,720	0.3100	0.3100	A	14,246,197	0.3100	0.3100	44,163	2010
Vista Spec Rd Dist St. Clair Co	Special Road and Bridge	3,222,359	0.5362	0.5362		**	**	**		2007
	Special Road and Bridge	**	**	**		14,246,197	0.5500	0.5500	78,354	A 2011
City of Appleton City	General Revenue	7,349,437	0.6481	0.6481		7,762,832	0.6510	0.6510	50,536	
	Parks & Recreation	7,349,437	0.3659	0.3659		7,762,832	0.3674	0.3674	28,521	
	Library	7,349,437	0.2301	0.2301		7,762,832	0.2311	0.2311	17,940	
	Police & Fire	7,349,437	0.1986	0.1986		7,762,832	0.1995	0.1995	15,487	
City of Lowry City	General Revenue	3,798,001	0.6415	0.6415		3,802,638	0.6459	0.6459	24,561	
	Lights	3,798,001	0.1990	0.1990		3,802,638	0.2004	0.2004	7,620	
	Health	3,798,001	0.1658	0.0000		3,802,638	0.1669	0.1669	6,347	
City of Osceola	General Revenue	5,391,382	0.7154	0.7100		5,383,040	0.7238	0.7154	38,510	
	Parks & Recreation	5,391,382	0.1000	0.1000		5,383,040	0.1000	0.1000	5,383	
Village of Roscoe	General Revenue	537,127	0.4999	0.4809		551,301	0.5000	0.5000	2,757	
St. Clair County Library	General Revenue	85,259,583	0.1926	0.1926		86,363,751	0.1935	0.1935	167,114	
Iconium Fire Protection District	General Revenue	9,216,423	0.2964	0.2500		9,274,198	0.3000	0.2500	23,185	
Sac Osage Fire Protection District	General Revenue	25,624,832	0.2450	0.2450		26,136,456	0.2448	0.2448	63,982	
St. Clair County Health Center	General Revenue	**	**	**		94,114,989	0.2080	0.2080	195,759	
Appleton City R-II School District	Operating Funds-Schools	21,780,272	3.9625	3.9625	BE	22,207,311	3.9625	3.9625	879,965	E
Roscoe C-I School District	Operating Funds-Schools	6,423,857	3.0731	3.0731	E	6,719,110	3.1500	2.9336	197,112	E
	Debt Service	6,423,857	0.3711	0.3711	E	6,719,110	0.4351	0.4351	29,235	E
Lakeland R-III School District	Operating Funds-Schools	26,811,078	3.1786	3.1786	E	27,431,243	3.1669	3.1669	868,720	E
	Debt Service	26,811,078	1.0817	0.6959	E	27,431,243	1.0468	0.7076	194,103	E
Osceola School District	Operating Funds-Schools	26,296,244	2.3142	2.3142	E	26,905,691	2.3394	2.3146	622,759	E
	Building-Temp	26,296,244	0.8914	0.8914	E	26,905,691	0.8910	0.8910	239,730	E 2008
	Building-Temporary	26,296,244	0.7104	0.7104	AE	26,905,691	0.7104	0.7104	191,138	E 2026
St. Clair County	General Revenue	92,596,473	0.4880	0.3411		94,114,989	0.4898	0.3635	342,108	
	Road & Bridge	92,596,473	0.2847	0.2832		94,114,989	0.2857	0.2852	268,416	
	Common Road District	50,097,637	0.3200	0.3200	A	50,291,682	0.3200	0.3200	160,933	2010
	Health	92,596,473	0.2071	0.2071		**	**	**		
<u>St. Francois</u>										
Flat River Sp Rd #2 St. Francois Co	Road & Bridge	29,657,220	0.2242	0.2242		30,071,198	0.2341	0.2341	70,397	
City of Bismarck	General Revenue	9,233,840	0.4779	0.4779		9,165,054	0.4829	0.4829	44,258	
	Health	9,233,840	0.1503	0.1500		9,165,054	0.1519	0.1500	13,748	
City of Desloge	General Revenue	33,840,654	0.4360	0.4360		34,297,659	0.4360	0.4360	149,538	
City of Farmington	General Revenue	171,250,436	0.4337	0.4337		176,609,726	0.4337	0.4337	765,956	
	Debt Service	171,250,436	0.0518	0.0518		176,609,726	0.0400	0.0400	70,644	
City of Leadington	General Revenue	7,134,677	0.3482	0.2900		7,842,159	0.3495	0.3495	27,408	
	Debt Service	7,134,677	0.0000	0.0000		7,842,159	1.3259	0.0000	0	
City of Leadwood	General Revenue	4,546,921	0.8326	0.8326		4,599,978	0.8351	0.8351	38,414	
	Debt Service	4,546,921	1.0630	1.0630		4,599,978	1.0491	1.0491	48,258	
City of Iron Mountain Lake	General Revenue	2,787,012	0.7078	0.7078		2,834,178	0.7166	0.7166	20,310	
	Debt Service	2,787,012	1.2836	1.2836		2,834,178	1.5131	1.5131	42,884	
City of Park Hills	General Revenue	43,812,512	0.6813	0.6813		45,061,675	0.6822	0.6822	307,411	
Leadwood Fire Protection District	General Revenue	12,854,060	0.5471	0.5471		13,033,892	0.5500	0.5500	71,686	
Doe Run Fire Protection District	General Revenue	41,640,503	0.3156	0.3156		43,019,009	0.3159	0.3159	135,897	
St. Francois County Health Center	General Revenue	**	**	**		629,450,268	0.0909	0.0909	572,170	
Mineral Area College	General Revenue	750,003,937	0.3317	0.3317		770,704,350	0.3317	0.3317	2,556,426	
	Debt Service	750,003,937	0.2034	0.1300		770,704,350	0.1954	0.1300	1,001,916	
Bismarck R-V School District	Operating Funds-Schools	23,595,557	3.7726	3.4300	E	23,715,764	3.3833	3.3833	802,375	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>St. Francois</u>										
Bismarck R-V School District	Debt Service	23,595,557	0.8922	0.6500	E	23,715,764	1.3737	0.6500	154,152	E
Farmington R-VII School District	Operating Funds-Schools	291,800,008	2.9237	2.9237	E	300,950,358	2.9284	2.9284	8,813,030	E
	Debt Service	291,800,008	1.0951	0.6200	E	300,950,358	1.1040	0.6200	1,865,892	E
North St. Francois Co R-I Sch Dist	Operating Funds-Schools	147,328,375	3.4283	3.4283	E	150,900,758	3.4166	3.4146	5,152,657	E
	Debt Service	147,328,375	1.3101	0.8053	E	150,900,758	0.9821	0.9700	1,463,737	E
Central R-III School District	Operating Funds-Schools	83,490,992	3.3722	3.2000	E	88,753,217	3.3401	3.3000	2,928,856	E
	Debt Service	81,648,702	1.6373	0.8583	E	88,753,217	1.1783	0.7583	673,016	E
West St. Francois Co R-IV Sch Dist	Operating Funds-Schools	38,271,382	3.3203	3.1200	E	39,372,531	3.3395	3.3000	1,299,294	E
	Debt Service	38,271,382	2.9134	0.9300	E	39,372,531	2.0276	0.7500	295,294	E
St. Francois County	General Revenue	612,843,688	0.3271	0.0596		629,450,268	0.3271	0.0521	327,944	
	Road & Bridge	583,186,469	0.2459	0.2459		599,121,088	0.2459	0.2459	1,473,239	
	Health	612,843,688	0.0909	0.0909		**	**	**		
	Ambulance	612,843,688	0.1363	0.0000		629,450,268	0.1363	0.0000	0	
	Developmentally Disabled	612,843,688	0.0909	0.0909		629,450,268	0.0909	0.0909	572,170	
	Senior Services	612,843,688	0.0493	0.0493		629,450,268	0.0493	0.0493	310,319	
<u>Ste. Genevieve</u>										
City of Bloomsdale	General Revenue	7,254,529	0.2964	0.2964		7,676,515	0.2968	0.2968	22,784	
City of St. Mary	General Revenue	4,097,195	0.8301	0.8301		5,051,353	0.8301	0.8301	41,931	
City of Ste. Genevieve	General Revenue	58,131,364	0.4501	0.4501		59,351,161	0.4524	0.4524	268,505	
	Parks & Recreation	58,131,364	0.1170	0.1170		59,351,161	0.1176	0.1176	69,797	
	Band	58,131,364	0.0721	0.0721		59,351,161	0.0725	0.0725	43,030	
	Cemetery	58,131,364	0.0450	0.0450		59,351,161	0.0452	0.0452	26,827	
Ste. Genevieve County Library	General Revenue	344,083,170	0.0933	0.0933		359,326,772	0.0933	0.0933	335,252	
Ste. Genevieve County Health Dept	General Revenue	**	**	**		359,326,772	0.0933	0.0933	335,252	
Ste. Genevieve Co R-II School Dist	Operating Funds-Schools	287,814,845	2.9263	2.9263	E	301,855,080	2.9362	2.9362	8,863,069	E
	Debt Service	287,814,845	0.3804	0.2600	E	301,855,080	0.3316	0.2600	784,823	E
Ste. Genevieve County	General Revenue	344,083,170	0.3473	0.2208		359,326,772	0.3473	0.2382	855,916	
	Road & Bridge	344,083,170	0.2628	0.2628		359,326,772	0.2628	0.2628	944,311	
	Health	344,083,170	0.0933	0.0933		**	**	**		
	Hospital	344,083,170	0.1597	0.1597		359,326,772	0.1597	0.1597	573,845	
	Ambulance	344,083,170	0.1315	0.1315		359,326,772	0.1315	0.0476	171,040	
	Mental Health	344,083,170	0.0933	0.0933		359,326,772	0.0933	0.0933	335,252	
	Senate Bill 40	344,083,170	0.0933	0.0650		359,326,772	0.0933	0.0650	233,562	
	Senior Services	344,083,170	0.0465	0.0350		359,326,772	0.0465	0.0350	125,764	
<u>St. Louis</u>										
Eureka Fire Protection District	General Revenue	377,209,925	0.5886	0.5886		391,207,369	0.5886	0.5886	2,302,647	
	Ambulance	377,209,925	0.2370	0.2370		391,207,369	0.2370	0.2370	927,161	
	Pension	377,209,925	0.0791	0.0791		391,207,369	0.0791	0.0791	309,445	
	Dispatch	377,209,925	0.0236	0.0236		391,207,369	0.0236	0.0236	92,325	
	Debt Service	377,209,925	0.1500	0.1500		391,207,369	0.1500	0.1500	586,811	
Metropolitan Sewer Dist St Louis Co	Gen Revenue-Gen Adm	28,008,945,322	0.0167	0.0167		28,635,051,379	0.0167	0.0000	0	
	General Revenue-Storm	16,554,865,023	0.0576	0.0500		16,840,367,555	0.0576	0.0000	0	
Metro Zoological Park & Museum Dist	Art Museum	28,560,794,165	0.0667	0.0667		29,036,337,027	0.0671	0.0671	19,483,382	
	Botanical Garden	28,560,794,165	0.0332	0.0332		29,036,337,027	0.0334	0.0334	9,698,137	
	Museum of Mo. History	28,560,794,165	0.0332	0.0332		29,036,337,027	0.0334	0.0334	9,698,137	
	Museum of Nat. History	28,560,794,165	0.0332	0.0332		29,036,337,027	0.0334	0.0334	9,698,137	
	Zoological Park	28,560,794,165	0.0667	0.0667		29,036,337,027	0.0671	0.0671	19,483,382	
Rockwood R-VI School District	Operating Funds-Schools	3,422,821,505	3.2330	3.2487	EC	3,675,136,092	3.2432	3.2432	119,192,014	E
	Debt Service	3,422,821,505	0.7575	0.7500	E	3,675,136,092	0.6882	0.6800	24,990,925	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>St. Louis</u>									
Special Sch Dist of St. Louis Co	Operating Funds-Schools	24,249,922,600	1.0035	0.9084	24,662,691,596	1.0035	0.9184	226,502,160	
<u>Saline</u>									
Saline Co Ambulance Dist No 3	General Revenue	178,600,036	0.2121	0.2121	179,653,817	0.2128	0.2128	382,303	
Slater Ambulance District No 1	General Revenue	37,933,476	0.3661	0.3661	37,686,919	0.3698	0.3698	139,366	
Sweet Springs Ambulance District	General Revenue	46,716,464	0.4289	0.3500	46,348,029	0.4346	0.3500	162,218	
Blackburn Elmwood Sp Rd Saline Co	Road & Bridge	5,965,963	0.3123	0.3123	6,099,155	0.3129	0.3129	19,084	
	Special Road and Bridge	5,965,963	0.3538	0.3538	6,099,155	0.3545	0.3545	21,622	2009
	Debt Service	5,965,963	0.4710	0.4710	6,099,155	0.4460	0.4460	27,202	
Gilliam Spec Rd Dist Saline Co	Road & Bridge	7,186,296	0.3096	0.3096	7,276,170	0.3096	0.3096	22,527	
	Special Road and Bridge	7,186,296	0.2880	0.2880	7,276,170	0.2880	0.2880	20,955	2008
Grand Pass Spec Road Dist Saline Co	Road & Bridge	4,086,831	0.2983	0.2983	4,076,136	0.2991	0.2991	12,192	
	Special Road and Bridge	4,086,831	0.3600	0.3600	A 4,076,136	0.3600	0.3600	14,674	2010
Marshall Spec Rd Dist Saline Co	Road & Bridge	127,649,242	0.2731	0.2731	127,879,458	0.2752	0.2752	351,924	
Slater Spec Rd Dist Saline Co	Road & Bridge	24,386,766	0.3102	0.3102	24,027,598	0.3156	0.3156	75,831	
	Special Road and Bridge	24,386,766	0.3521	0.3521	24,027,598	0.3583	0.3583	86,091	2009
Sweet Springs Sp Rd Dist Saline Co	Road & Bridge	20,778,145	0.3046	0.3046	20,635,965	0.3181	0.3181	65,643	
	Special Road and Bridge	20,778,145	0.2978	0.2978	20,635,965	0.3000	0.3000	61,908	2008
Malta Bend Spec Rd Dist Saline Co	Road & Bridge	10,780,378	0.3500	0.3500	11,095,482	0.3500	0.3500	38,834	
	Special Road and Bridge	10,780,378	0.3000	0.3000	11,095,482	0.3000	0.3000	33,286	2008
Village of Arrow Rock	General Revenue	1,050,964	0.2967	0.2967	1,050,686	0.2968	0.2968	3,118	
	General Revenue-Temp	1,050,964	0.2601	0.2601	**	**	**		2007
	General Revenue-Temp	**	**	**	1,050,686	0.3000	0.3000	3,152	A 2011
City of Blackburn	General Revenue	1,800,650	0.5221	0.5221	1,909,618	0.5237	0.5237	10,001	
	Lights	1,800,650	0.1061	0.1061	1,909,618	0.1064	0.1064	2,032	
	General Revenue-Temp	1,800,650	0.2687	0.2687	1,909,618	0.2695	0.2695	5,146	2009
City of Gilliam	General Revenue	1,102,895	0.6714	0.6714	1,042,958	0.7100	0.7100	7,405	
	Lights	1,102,895	0.3581	0.3581	1,042,958	0.3786	0.3786	3,949	
Village of Grand Pass	General Revenue	445,213	0.4493	0.4493	412,853	0.4844	0.4493	1,855	
City of Malta Bend	General Revenue	1,427,813	0.7023	0.7023	1,452,370	0.7088	0.7088	10,294	
City of Marshall	General Revenue	111,060,592	0.6995	0.6995	110,944,375	0.7060	0.7060	783,267	
	Parks & Recreation	111,060,592	0.3024	0.3024	110,944,375	0.3052	0.3052	338,602	
	Library	111,060,592	0.1795	0.1795	110,944,375	0.1812	0.1812	201,031	
	Band	111,060,592	0.0469	0.0469	110,944,375	0.0473	0.0473	52,477	
City of Miami	General Revenue	1,013,472	0.4798	0.4798	1,032,334	0.4865	0.4865	5,022	
	Streets	1,013,472	0.6237	0.6237	1,032,334	0.6324	0.6324	6,528	
Village of Mount Leonard	General Revenue	325,446	0.8313	0.8313	339,238	0.8338	0.8338	2,829	
City of Nelson	General Revenue	866,191	0.7642	0.7642	892,198	0.7642	0.7642	6,818	
City of Slater	General Revenue	13,287,197	0.7020	0.7020	12,887,966	0.7261	0.7261	93,580	
	Parks & Recreation	13,287,197	0.1950	0.1950	12,887,966	0.2000	0.2000	25,776	
	Library	13,287,197	0.2194	0.2194	12,887,966	0.2269	0.2269	29,243	
City of Sweet Springs	General Revenue	10,024,538	0.7449	0.7449	10,197,009	0.7477	0.7477	76,243	
	Parks & Recreation	10,024,538	0.3540	0.3540	10,197,009	0.3553	0.3553	36,230	
	Library	10,024,538	0.2128	0.2128	10,197,009	0.2136	0.2136	21,781	
	Debt Service	10,024,538	0.1905	0.1905	10,197,009	0.1814	0.1814	18,497	
City of Emma	General Revenue	1,942,034	0.4969	0.4969	1,929,711	0.5000	0.5000	9,649	
Malta Bend Fire Protection District	General Revenue	11,234,653	0.2773	0.2773	11,531,745	0.2779	0.2779	32,047	
Saline County Health Department	General Revenue	**	**	**	253,833,645	0.1400	0.1400	355,367	
Miami R-I School District	Operating Funds-Schools	8,022,747	3.9291	3.9291	E 8,249,969	3.9291	3.9291	324,150	E
Orearville R-IV School District	Operating Funds-Schools	5,111,339	4.1208	3.6766	E 5,183,116	4.2195	4.2195	218,702	E
	Debt Service	5,111,339	0.8309	0.8309	E 5,183,116	0.8829	0.8500	44,056	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Saline</u>										
Malta Bend R-V School District	Operating Funds-Schools	8,817,448	4.3457	4.3316	E	9,354,723	4.4817	4.4817	419,251	E
	Debt Service	8,817,448	0.6633	0.6633	E	9,354,723	0.1152	0.1152	10,777	E
Hardeman R-X School District	Operating Funds-Schools	6,330,651	3.7919	3.7919	E	6,563,871	3.7834	3.7834	248,337	E
	Debt Service	6,330,651	0.9609	0.9337	E	6,563,871	0.9589	0.9337	61,287	E
Gilliam C-4 School District	Operating Funds-Schools	2,785,829	4.1833	4.1833	E	2,673,758	4.5920	4.5920	122,779	E
Marshall School District	Operating Funds-Schools	133,558,405	3.3262	3.3262	E	134,239,654	3.3225	3.3225	4,460,113	E
Slater School District	Operating Funds-Schools	18,108,769	3.6996	3.6996	E	17,819,371	3.7186	3.7186	662,631	E
	Debt Service	18,108,769	0.5802	0.5802	E	17,819,371	0.6584	0.5612	100,002	E
Sweet Springs R-VII School District	Operating Funds-Schools	23,879,034	4.0093	3.3500	E	23,996,501	3.9107	3.3500	803,883	E
	Debt Service	23,879,034	0.6482	0.6400	E	23,996,501	0.6714	0.6400	153,578	E
Saline County	General Revenue	252,719,231	0.3984	0.1992		253,833,645	0.4000	0.2000	507,667	
	Common Road District	52,861,800	0.2891	0.2891		53,745,045	0.2896	0.2896	155,646	
	Special Road and Bridge	52,861,800	0.3600	0.3600	A	53,745,045	0.3600	0.3600	193,482	2010
	Health	252,719,231	0.1397	0.1397		**	**	**		
	Senate Bill 40	252,719,231	0.0663	0.0663		226,712,342	0.0700	0.0700	158,699	
	Common Road-Temp	52,861,800	0.2500	0.2500		53,745,045	0.2500	0.2500	134,363	2009
<u>Schuyler</u>										
Schuyler County Ambulance District	General Revenue	38,288,214	0.3000	0.3000		38,282,204	0.4000	0.4000	153,129	
Schuyler County Nursing Home Dist	General Revenue	38,288,214	0.1500	0.1500		38,282,204	0.1500	0.1500	57,423	
City of Downing	General Revenue	1,770,754	1.0000	1.0000		1,754,395	1.0000	1.0000	17,544	
Village of Glenwood	General Revenue	958,584	0.4970	0.4970		1,016,049	0.5000	0.5000	5,080	
	Debt Service	958,584	0.4990	0.4990		1,016,049	0.3745	0.3745	3,805	
City of Greentop	General Revenue	2,359,091	0.9235	0.9235		2,387,614	0.9304	0.9304	22,214	
City of Lancaster	General Revenue	4,956,568	0.8666	0.8600		4,916,613	0.8782	0.8700	42,775	
	Parks & Recreation	4,956,568	0.1927	0.1900		4,916,613	0.1953	0.1900	9,342	
City of Queen City	General Revenue	2,946,670	1.0000	1.0000		2,861,142	1.0000	1.0000	28,611	
Schuyler County Library	General Revenue	38,288,214	0.1500	0.1500		38,282,204	0.1500	0.1500	57,423	
Schuyler County Health Department	General Revenue	**	**	**		38,282,204	0.3000	0.2500	95,706	
Schuyler Co R-I School District	Operating Funds-Schools	33,258,016	3.3661	2.7500	F	33,788,673	3.3898	2.7500	929,189	F
	Debt Service	33,258,016	1.0270	0.7700	F	33,788,673	0.9612	0.7700	260,173	F
Schuyler County	General Revenue	38,288,214	0.5000	0.3310		38,282,204	0.5000	0.3013	115,344	
	Common Road District	38,288,214	0.4688	0.4688		38,282,204	0.4758	0.4758	182,147	
	Special Road and Bridge	38,288,214	0.2438	0.2438		**	**	**		2007
	Health	38,288,214	0.3000	0.2500		**	**	**		
	Senior Services	38,288,214	0.0500	0.0500		38,282,204	0.0500	0.0500	19,141	
	Special Road and Bridge	**	**	**		38,282,204	0.2600	0.2600	99,534	A 2011
<u>Scotland</u>										
Scotland County Ambulance District	General Revenue	50,555,368	0.2500	0.2500		48,532,439	0.2500	0.2500	121,331	
Scotland County Memorial Hosp Dist	General Revenue	50,555,368	0.5000	0.5000		48,532,439	0.5000	0.5000	242,662	
Scotland County Nursing Home Dist	General Revenue	50,555,368	0.3000	0.3000		48,532,439	0.3000	0.3000	145,597	
Bear Creek Watershed Subdistrict	General Revenue	1,015,206	0.3999	0.3999		1,068,334	0.3948	0.3948	4,218	
Village of Arbela	General Revenue	223,522	0.3640	0.3640		147,250	0.5000	0.5000	736	
Village of Granger	General Revenue	208,437	0.8000	0.6400		184,589	0.8000	0.6400	1,181	
City of Memphis	General Revenue	13,161,569	0.2986	0.2986		13,180,300	0.3008	0.2986	39,356	
	Streets	13,161,569	0.3733	0.3400		13,180,300	0.3761	0.3400	44,813	
	Fire	13,161,569	0.1707	0.1300		13,180,300	0.1720	0.1300	17,134	
	Cemetery	13,161,569	0.1000	0.0500		13,180,300	0.1000	0.0500	6,590	
	Swimming Pool	13,161,569	0.1814	0.1814		13,180,300	0.1828	0.1814	23,909	
Village of Rutledge	General Revenue	408,213	0.4236	0.4230		270,630	0.5000	0.4230	1,145	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Scotland</u>									
City of South Gorin	General Revenue	704,996	0.7426	0.7410	338,140	0.8000	0.8000	2,705	
	Fire	704,996	0.1857	0.1852	338,140	0.2000	0.2000	676	
Scotland County Library District	General Revenue	50,555,368	0.1900	0.1900	48,532,439	0.1900	0.1900	92,212	
Scotland County Health Department	General Revenue	**	**	**	48,532,439	0.1500	0.1500	72,799	
Gorin R-III School District	Operating Funds-Schools	3,223,151	5.2608	4.5614	3,259,741	5.4460	4.2408	138,239	
Scotland Co R-I School District	Operating Funds-Schools	43,001,414	3.6288	3.3600	E 44,758,119	3.6012	3.3600	1,503,873	E
Scotland County	General Revenue	50,555,368	0.5000	0.5000	48,532,439	0.5000	0.5000	242,662	
	Road & Bridge	50,555,368	0.3500	0.3500	48,532,439	0.3500	0.3500	169,864	
	Special Road and Bridge	50,555,368	0.3100	0.3100	**	**	**		2007
	Health	50,555,368	0.1500	0.1500	**	**	**		
	Special Road and Bridge	**	**	**	48,532,439	0.3100	0.3100	150,451	A 2011
<u>Scott</u>									
Southern Scott Co Ambulance Dist	General Revenue	227,550,038	0.3000	0.3000	234,939,074	0.3000	0.3000	704,817	
North Scott Co Ambulance District	General Revenue	166,870,060	0.3000	0.3000	172,635,779	0.3000	0.3000	517,907	
Illmo Special Road Dist Scott Co	Road & Bridge	54,227,221	0.3188	0.3188	58,164,291	0.3188	0.3188	185,428	
Sikeston Special Road Dist Scott Co	Road & Bridge	192,438,943	0.1800	0.1800	199,507,566	0.1800	0.1800	359,114	
City of Benton	General Revenue	6,460,874	0.5813	0.5813	7,126,289	0.5777	0.5777	41,169	
	Parks & Recreation	6,460,874	0.1805	0.1805	7,126,289	0.1794	0.1794	12,785	
Village of Blodgett	General Revenue	1,192,865	0.3845	0.2800	1,220,003	0.3962	0.2800	3,416	
City of Chaffee	General Revenue	17,502,309	0.7691	0.7691	17,554,684	0.7717	0.7717	135,469	
	Parks & Recreation	17,502,309	0.1641	0.1641	17,554,684	0.1646	0.1646	28,895	
	Library	17,502,309	0.1641	0.1641	17,554,684	0.1646	0.1646	28,895	
Village of Commerce	General Revenue	662,778	0.5000	0.5000	696,063	0.5000	0.5000	3,480	
Village of Diehlstadt	General Revenue	528,236	0.3440	0.3439	550,784	0.3441	0.3441	1,895	
Village of Haywood City	General Revenue	438,723	0.4999	0.3400	477,376	0.4998	0.3400	1,623	
Village of Kelso	General Revenue	5,461,999	0.4993	0.4993	5,560,662	0.4993	0.4993	27,764	
	Fire	5,461,999	0.1300	0.1300	5,560,662	0.1300	0.1300	7,229	2009
City of Miner	General Revenue	21,137,221	0.3003	0.1900	21,846,969	0.3024	0.3000	65,541	
City of Morley	General Revenue	3,967,602	0.6079	0.6079	4,142,131	0.6097	0.6097	25,255	
City of Oran	General Revenue	7,948,699	0.6270	0.6270	7,946,617	0.6355	0.6355	50,501	
	Parks & Recreation	7,948,699	0.1882	0.1882	7,946,617	0.1908	0.1908	15,162	
City of Scott City	General Revenue	38,686,887	0.5051	0.5051	41,086,356	0.5051	0.5051	207,527	
	Parks & Recreation	38,686,887	0.1804	0.1804	41,086,356	0.1804	0.1804	74,120	
	Cemetery	38,686,887	0.0500	0.0500	41,086,356	0.0500	0.0500	20,543	
	Debt Service	38,686,887	0.5036	0.5036	41,086,356	0.4656	0.4656	191,298	
Village of Vanduser	General Revenue	1,110,811	0.3712	0.3712	1,187,372	0.3711	0.3711	4,406	
	Fire	1,110,811	0.1000	0.1000	1,187,372	0.1000	0.1000	1,187	
City of Sikeston	General Revenue	184,908,202	0.5530	0.3693	192,481,876	0.5532	0.3693	710,836	
	Parks & Recreation	184,908,202	0.1609	0.1609	192,481,876	0.1609	0.1609	309,703	
	Library	184,908,202	0.1609	0.1609	192,481,876	0.1609	0.1609	309,703	
Scott County Library	General Revenue	254,653,410	0.0968	0.0968	261,634,283	0.0968	0.0968	253,262	
Sikeston Fire Protection District	General Revenue	43,066,796	0.3000	0.1200	43,032,600	0.3000	0.1200	51,639	
NBC Fire Protection District	General Revenue	39,971,035	0.3000	0.3000	40,407,942	0.3000	0.3000	121,224	
Scott County Rural Fire Prot Dist	General Revenue	37,248,918	0.3000	0.3000	37,787,365	0.3000	0.3000	113,362	
Oran Fire Protection District	General Revenue	15,070,542	0.4019	0.4019	14,959,402	0.4019	0.4019	60,122	
Scott County Health Department	General Revenue	**	**	**	407,574,853	0.1000	0.1000	407,575	
Scott City R-I School District	Operating Funds-Schools	49,887,730	3.0851	2.7500	E 53,769,350	3.0788	3.0788	1,655,451	E
	Debt Service	49,887,730	0.5670	0.4900	E 53,769,350	0.6740	0.4900	263,470	E
Chaffee R-II School District	Operating Funds-Schools	22,762,500	2.8699	2.8699	E 23,002,770	2.8627	2.8626	658,477	E
	Debt Service	22,762,500	1.5050	1.1500	E 23,002,770	1.4378	1.1500	264,532	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Scott</u>										
Scott Co R-IV School District	Operating Funds-Schools	50,845,450	2.7500	2.7500	E	52,685,030	2.7500	2.7500	1,448,838	E
	Debt Service	50,845,450	0.4297	0.4200	E	52,685,030	0.5794	0.4200	221,277	E
Scott Co R-V School District	Operating Funds-Schools	14,112,580	3.2587	2.7900	E	14,410,900	3.2457	3.2457	467,735	E
	Debt Service	14,112,580	1.1526	1.1000	E	14,410,900	1.2036	1.1000	158,520	E
Sikeston R-VI School District	Operating Funds-Schools	214,055,096	3.3984	3.2500	E	222,535,404	3.3978	3.3500	7,454,936	E
	Debt Service	214,055,096	0.2063	0.1900	E	222,535,404	0.1917	0.1900	422,817	E
Kelso C-7 School District	Operating Funds-Schools	21,635,830	2.8618	2.8618	E	22,117,520	2.8563	2.8563	631,743	E
Oran R-III School District	Operating Funds-Schools	18,486,580	3.5527	2.7500	E	18,641,470	3.5800	3.1000	577,886	E
	Debt Service	18,486,580	1.7440	0.7500	E	18,641,470	1.7295	0.4000	74,566	E
Scott County	General Revenue	394,420,098	0.3760	0.1000		407,574,853	0.3760	0.1000	407,575	
	Johnson Grass	394,420,098	0.0100	0.0100		407,574,853	0.0100	0.0100	40,757	
	Common Road District	147,753,936	0.2993	0.2993		149,902,997	0.2993	0.2993	448,660	
	Health	394,420,098	0.1000	0.1000		**	**	**		
	Senate Bill 40	394,420,098	0.1000	0.0400		407,574,853	0.1000	0.0400	163,030	
<u>Shannon</u>										
Shannon County Ambulance District	General Revenue	50,670,931	0.1288	0.1288		49,505,848	0.1343	0.1343	66,486	
City of Birch Tree	General Revenue	3,547,302	0.4039	0.3984		3,502,048	0.4125	0.4125	14,446	
City of Winona	General Revenue	6,627,253	0.0000	0.0000		6,601,408	0.0000	0.0000	0	
Timber Community Fire Prot Dist	General Revenue	3,373,405	0.3000	0.3000		3,339,489	0.3000	0.3000	10,018	
Shannon County Health Department	General Revenue	**	**	**		62,104,492	0.1000	0.1000	62,104	
Winona R-III School District	Operating Funds-Schools	15,325,280	2.7500	2.7500	F	15,539,631	2.7500	2.7500	427,340	F
Eminence R-I School District	Operating Funds-Schools	17,370,730	2.7500	2.7500	E	17,983,270	2.3342	2.3342	419,765	E
	Operating Funds-Temp	**	**	**		17,983,270	1.1558	1.1058	198,859	AE 2017
	Debt Service	17,370,730	0.9325	0.6900	E	17,983,270	0.8104	0.0000	0	E
Shannon County	General Revenue	64,336,465	0.3071	0.1300		62,104,492	0.3237	0.1920	119,241	
	Road & Bridge	64,336,465	0.2377	0.2358		62,104,492	0.2506	0.2506	155,634	
	Health	64,336,465	0.0983	0.0983		**	**	**		
	Senate Bill 40	64,336,465	0.0983	0.0975		62,104,492	0.1000	0.0975	60,552	
	Senior Services	64,336,465	0.0491	0.0491		62,104,492	0.0500	0.0500	31,052	
<u>Shelby</u>										
Salt River Ambulance District	General Revenue	81,161,861	0.2499	0.1299		84,197,800	0.2499	0.1300	109,457	
Clarence Nursing Home District	General Revenue	22,002,218	0.2183	0.2183		22,796,347	0.2186	0.2186	49,833	
Salt River Nursing Home District	General Revenue	70,252,873	0.3000	0.3000		72,753,523	0.3000	0.3000	218,261	
Shelbina Special Rd Dist Shelby Co	Road & Bridge	25,219,143	0.4696	0.4696		25,350,808	0.4700	0.4700	119,149	
Village of Bethel	General Revenue	599,332	0.7238	0.7238		639,893	0.7377	0.7377	4,720	
	Lights	599,332	0.2413	0.2413		639,893	0.2459	0.2459	1,573	
City of Clarence	General Revenue	5,453,541	0.9625	0.9625		5,596,295	0.9706	0.9706	54,318	
	Library	5,453,541	0.0962	0.0962		5,596,295	0.0970	0.0970	5,428	
	Streets	5,453,541	0.1925	0.1925		5,596,295	0.1941	0.1941	10,862	
City of Hunnewell	General Revenue	969,218	0.8772	0.8772		945,123	0.8996	0.8772	8,291	
Village of Leonard	General Revenue	676,263	0.5000	0.4600		700,968	0.5000	0.4600	3,224	
City of Shelbina	General Revenue	19,950,403	0.8124	0.8124		19,893,454	0.8196	0.8196	163,047	
	Library	19,950,403	0.2384	0.2384		19,893,454	0.2405	0.2405	47,844	
City of Shelbyville	General Revenue	3,647,108	0.8388	0.8388		3,678,024	0.8388	0.8388	30,851	
	General Revenue-Temp	3,647,108	0.2954	0.2954		3,678,024	0.2954	0.2954	10,865	2009
Shelbina Fire Protection District	General Revenue	61,611,232	0.2212	0.2212		43,027,343	0.2500	0.2500	107,568	
Shelby County Health Department	General Revenue	**	**	**		88,614,310	0.2500	0.2500	221,536	
North Shelby School District	Operating Funds-Schools	27,179,306	4.0905	3.4800	E	28,370,961	4.1129	3.4800	987,309	E
	Debt Service	27,179,306	0.4499	0.3700	E	28,370,961	0.3842	0.3700	104,973	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Shelby</u>										
Shelby Co R-IV School District	Operating Funds-Schools	55,341,806	3.3700	3.3700	E	57,259,898	3.3700	3.3700	1,929,659	E
	Operating Funds-Temp	55,341,806	0.3800	0.3800	E	57,259,898	0.3800	0.3800	217,588	E 2012
Shelby County	General Revenue	85,434,087	0.4764	0.3300		88,614,310	0.4764	0.3300	292,427	
	Road & Bridge	60,213,550	0.3500	0.3500		63,261,924	0.3500	0.3500	221,417	
	Health	85,434,087	0.2500	0.2500		**	**	**		
<u>Stoddard</u>										
Stoddard County Ambulance District	General Revenue	369,554,530	0.2004	0.2004		383,601,581	0.2004	0.2004	768,738	
Bluff Spec Rd Dist Stoddard Co	Johnson Grass	8,418,156	0.0500	0.0500		8,373,972	0.0500	0.0500	4,187	
	Road & Bridge	8,418,156	0.1605	0.1605		8,373,972	0.1624	0.1624	13,599	
	Special Road and Bridge	8,418,156	0.3500	0.3500		8,373,972	0.3500	0.3500	29,309	2009
Crowder Zeta Sp Rd Dist Stoddard Co	Johnson Grass	2,828,751	0.0500	0.0500		2,842,181	0.0500	0.0500	1,421	
	Road & Bridge	2,828,751	0.2887	0.2887		2,842,181	0.2897	0.2897	8,234	
Dudley Spec Rd Dist Stoddard Co	Johnson Grass	15,625,372	0.0500	0.0500		17,507,284	0.0500	0.0500	8,754	
	Road & Bridge	15,625,372	0.2631	0.1631		17,507,284	0.2631	0.2631	46,062	
	Special Road and Bridge	15,625,372	0.3500	0.3500	A	17,507,284	0.3500	0.3500	61,275	2010
Essex Spec Rd Dist Stoddard Co	Johnson Grass	13,771,080	0.0500	0.0500		14,704,942	0.0500	0.0500	7,352	
	Road & Bridge	13,771,080	0.2428	0.2428		14,704,942	0.2428	0.2428	35,704	
	Special Road and Bridge	13,771,080	0.3500	0.3500		14,704,942	0.3500	0.3500	51,467	2008
Gray Ridge Spec Rd Dist Stoddard Co	Road & Bridge	8,596,581	0.3162	0.3162		8,608,204	0.3165	0.3165	27,245	
Lavalle Spec Road Dist Stoddard Co	Road & Bridge	2,389,733	0.3500	0.3500		2,388,178	0.3500	0.3500	8,359	
City of Bell City	General Revenue	2,101,196	0.6853	0.6853		2,215,352	0.6853	0.6853	15,182	
City of Bernie	General Revenue	12,443,953	0.5196	0.5196		12,935,202	0.5196	0.5196	67,211	
	Parks & Recreation	12,443,953	0.0900	0.0900		12,935,202	0.0900	0.0900	11,642	
City of Bloomfield	General Revenue	11,366,074	0.4783	0.4783		11,666,793	0.4783	0.4783	55,802	
	Library	11,366,074	0.1395	0.1395		11,666,793	0.1395	0.1395	16,275	
	Debt Service	11,366,074	0.2196	0.2196		11,666,793	0.2006	0.2006	23,404	
City of Dexter	General Revenue	93,359,159	0.5096	0.5096		97,308,971	0.5096	0.5096	495,887	
	Library	93,359,159	0.1427	0.1427		97,308,971	0.1427	0.1427	138,860	
City of Dudley	General Revenue	8,665,484	0.5387	0.5387		10,373,717	0.5387	0.5387	55,883	
City of Essex	General Revenue	3,162,850	0.3980	0.3980		3,260,799	0.3992	0.3992	13,017	
City of Puxico	General Revenue	6,461,197	0.4948	0.4948		6,763,426	0.4948	0.4948	33,465	
	Parks & Recreation	6,461,197	0.2120	0.2120		6,763,426	0.2120	0.2120	14,338	
	Library	6,461,197	0.0707	0.0707		6,763,426	0.0707	0.0707	4,782	
	Health	6,461,197	0.1009	0.1009		6,763,426	0.1009	0.1009	6,824	
	Cemetery	6,461,197	0.1009	0.1009		6,763,426	0.1009	0.1009	6,824	
Village of Pendermon	General Revenue	149,150	0.4211	0.4211		144,518	0.4345	0.4345	628	
Castor Township of Stoddard Co	General Revenue	50,709,777	0.0700	0.0700		52,307,368	0.0700	0.0700	36,615	
	Road & Bridge	42,291,621	0.2210	0.2210		43,933,396	0.2210	0.2210	97,093	
Duck Creek Township of Stoddard Co	General Revenue	41,685,503	0.1000	0.1000		44,301,761	0.1000	0.1000	44,302	
	Johnson Grass	41,685,503	0.0366	0.0366		44,301,761	0.0366	0.0366	16,214	
	Road & Bridge	26,060,131	0.2528	0.2528		26,794,477	0.2528	0.2528	67,736	
	Special Road and Bridge	41,685,503	0.2565	0.2565		**	**	**		2007
	Special Road and Bridge	**	**	**		26,794,477	0.3500	0.3500	93,781	A 2011
Elk Township of Stoddard Co	General Revenue	12,585,707	0.1000	0.1000		12,808,961	0.1000	0.1000	12,809	
	Road & Bridge	10,195,974	0.3159	0.3159		10,420,783	0.3159	0.3159	32,919	
	Special Road and Bridge	10,195,974	0.3500	0.3500	A	10,420,783	0.3500	0.3500	36,473	2010
Liberty Township of Stoddard Co	General Revenue	178,157,359	0.0810	0.0800		184,459,525	0.0810	0.0800	147,568	
	Johnson Grass	178,157,359	0.0500	0.0500		184,459,525	0.0500	0.0500	92,230	
	Road & Bridge	178,157,359	0.3500	0.1200		184,459,525	0.3500	0.1500	276,689	
	Special Road and Bridge	178,157,359	0.3500	0.3500	A	184,459,525	0.3500	0.3500	645,608	2010

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Stoddard</u>									
New Lisbon Township of Stoddard Co	General Revenue	10,087,873	0.0813	0.0813	10,231,229	0.0813	0.0813	8,318	2008
	Johnson Grass	10,087,873	0.0500	0.0500	10,231,229	0.0500	0.0500	5,116	
	Road & Bridge	10,087,873	0.2336	0.2336	10,231,229	0.2336	0.2336	23,900	
	Special Road and Bridge	10,087,873	0.3500	0.3500	10,231,229	0.3500	0.3500	35,809	
Pike Township of Stoddard Co	General Revenue	52,250,353	0.0906	0.0906	33,765,694	0.1000	0.1000	33,766	
	Johnson Grass	52,250,353	0.0410	0.0410	33,765,694	0.0500	0.0500	16,883	
	Road & Bridge	49,421,602	0.2315	0.2315	51,638,823	0.2315	0.2315	119,544	
Richland Township of Stoddard Co	General Revenue	24,077,958	0.0820	0.0820	25,011,733	0.0820	0.0820	20,510	
	Road & Bridge	1,710,297	0.3500	0.3500	1,698,587	0.3500	0.3500	5,945	
Stoddard County Public Health	General Revenue	**	**	**	383,601,581	0.1000	0.1000	383,602	
Richland R-I School District	Operating Funds-Schools	21,141,371	4.2884	3.4867	21,850,914	4.3254	3.6870	805,643	
	Debt Service	21,141,371	0.4042	0.3300	21,850,914	0.3490	0.3300	72,108	
Bell City R-II School District	Operating Funds-Schools	26,619,093	3.3456	3.1500	E 27,868,616	3.3363	3.1500	877,861	E
Advance R-IV School District	Operating Funds-Schools	27,666,724	2.7862	2.7500	F 28,945,668	2.7991	2.7500	796,006	F
	Debt Service	27,666,724	0.9658	0.6800	F 28,945,668	0.9509	0.6800	196,831	F
Puxico R-VIII School District	Operating Funds-Schools	36,706,443	2.7500	2.7500	E 38,925,887	2.7500	2.7500	1,070,462	E
	Debt Service	36,706,443	1.2027	0.7900	E 38,925,887	1.1721	0.7900	307,515	E
Bloomfield R-XIV School District	Operating Funds-Schools	38,710,125	2.8466	2.7500	F 40,274,557	2.8212	2.7500	1,107,550	F
Dexter R-XI School District	Operating Funds-Schools	158,654,057	2.7500	2.7500	E 166,753,665	2.7500	2.7500	4,585,726	E
	Debt Service	158,654,057	0.7508	0.5700	E 166,753,665	0.8147	0.5700	950,496	E
Bernie R-XIII School District	Operating Funds-Schools	29,445,405	2.8812	2.8812	E 30,492,312	2.9232	2.9232	891,351	E
	Debt Service	29,445,405	0.4519	0.3000	E 30,492,312	0.4731	0.3000	91,477	E
Stoddard County	General Revenue	369,554,530	0.2505	0.0000	383,601,581	0.2505	0.0000	0	
	Johnson Grass	369,554,530	0.0500	0.0000	383,601,581	0.0500	0.0000	0	
	Health	369,554,530	0.1000	0.1000	**	**	**		
	Senate Bill 40	369,554,530	0.0802	0.0800	383,601,581	0.0802	0.0800	306,881	
<u>Stone</u>									
City of Crane	General Revenue	7,194,630	0.7761	0.7761	9,382,356	0.7786	0.7786	73,051	
	Parks & Recreation	7,194,630	0.1226	0.1226	9,382,356	0.1230	0.1230	11,540	
	Library	7,194,630	0.1226	0.0000	9,382,356	0.1230	0.0000	0	
City of Galena	General Revenue	2,663,349	0.5052	0.5052	2,609,761	0.5157	0.5157	13,459	
City of Hurley	General Revenue	680,259	0.6524	0.6435	622,546	0.7152	0.7152	4,452	
City of Kimberling City	General Revenue	39,226,241	0.4347	0.4347	41,206,824	0.4347	0.4347	179,126	
City of Reeds Spring	General Revenue	5,142,619	0.6084	0.6084	5,823,627	0.6084	0.6084	35,431	
Village of McCord Bend	General Revenue	871,127	0.5000	0.5000	904,319	0.5000	0.5000	4,522	
Stone County Library	General Revenue	463,062,828	0.0985	0.0985	499,458,139	0.0985	0.0985	491,966	
Southern Stone Co Fire Prot Dist	General Revenue	369,594,744	0.2583	0.0000	400,749,290	0.2583	0.0000	0	
Hurley Fire Protection District	General Revenue	13,457,101	0.3223	0.3223	13,847,349	0.3229	0.3229	44,713	
North Stone-Northeast Barry FPD	General Revenue	35,531,141	0.2203	0.2203	28,165,315	0.2924	0.3617	101,874	C
Stone County Health Department	General Revenue	**	**	**	499,458,139	0.0768	0.0768	383,584	
Hurley R-I School District	Operating Funds-Schools	9,587,152	3.9316	3.8315	E 9,698,824	3.9652	3.9154	379,748	E
	Debt Service	9,587,152	0.7601	0.7215	E 9,698,824	0.6376	0.6376	61,840	E
Galena R-II School District	Operating Funds-Schools	25,677,739	3.1776	3.1769	E 26,860,249	3.1970	3.1970	858,722	E
	Debt Service	25,677,739	0.5300	0.5300	E 26,860,249	0.6878	0.5300	142,359	E
Crane R-III School District	Operating Funds-Schools	23,263,518	3.0684	3.0684	E 23,877,141	3.0800	3.0800	735,416	E
	Debt Service	23,263,518	0.7111	0.5240	E 23,877,141	0.8328	0.5124	122,346	E
Reeds Spring R-IV School District	Operating Funds-Schools	291,135,023	2.9938	2.9938	E 318,168,084	2.9991	2.9991	9,542,179	E
	Debt Service	291,135,023	1.3012	0.7600	E 318,168,084	1.1396	0.7600	2,418,077	E
Blue Eye R-V School District	Operating Funds-Schools	78,089,299	3.2259	3.2259	E 84,226,018	3.2322	3.2322	2,722,353	E
	Debt Service	78,089,299	0.8191	0.8000	E 84,226,018	0.8609	0.8000	673,808	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Stone</u>									
Stone County	General Revenue	463,062,828	0.2785	0.1300	499,458,139	0.2785	0.1300	649,296	
	Road & Bridge	463,062,828	0.2017	0.0000	499,458,139	0.2017	0.0000	0	
	Health	463,062,828	0.0768	0.0768	**	**	**		
	Senior Services	463,062,828	0.0473	0.0473	499,458,139	0.0473	0.0473	236,244	
<u>Sullivan</u>									
Sullivan County Ambulance District	General Revenue	74,958,821	0.5013	0.5000	78,226,435	0.5013	0.5000	391,132	
Locust Creek Watershed Subdistrict	General Revenue	22,497,790	0.3871	0.3871	23,660,819	0.3876	0.3871	91,591	
Harris Spec Rd Dist Sullivan Co	Road & Bridge	541,982	0.3330	0.3330	535,133	0.3387	0.3387	1,812	
Milan Special Road Dist Sullivan Co	Road & Bridge	10,673,538	0.3325	0.3325	9,767,389	0.3500	0.3500	34,186	
West Buchanan Road Dist Sullivan Co	Road & Bridge	2,445,692	0.3500	0.3500	2,628,639	0.3500	0.3500	9,200	
	Special Road and Bridge	**	**	**	2,628,639	0.3500	0.3500	9,200	A 2011
City of Green Castle	General Revenue	987,630	0.5677	0.5677	967,425	0.5800	0.5800	5,611	
City of Green City	General Revenue	4,302,103	0.5060	0.5060	4,277,826	0.5100	0.5100	21,817	
	Lights	4,302,103	0.1800	0.1800	4,277,826	0.1800	0.1800	7,700	
	Fire	4,302,103	0.3079	0.3079	4,277,826	0.3100	0.3100	13,261	
City of Harris	General Revenue	194,820	0.8876	0.0000	200,527	0.8934	0.0000	0	
Village of Humphreys	General Revenue	259,967	0.7500	0.7500	263,995	0.7500	0.7500	1,980	
	Parks & Recreation	259,967	0.5000	0.5000	263,995	0.5000	0.5000	1,320	
	Lights	259,967	1.5000	0.0000	263,995	1.5000	0.0000	0	
	Streets	259,967	1.0000	0.0000	263,995	1.0000	0.0000	0	
City of Milan	General Revenue	10,700,289	0.7741	0.7200	9,767,389	0.8498	0.8498	83,003	
	Park	10,700,289	0.1000	0.1000	9,767,389	0.1000	0.1000	9,767	
	Recreation	10,700,289	0.0500	0.0500	9,767,389	0.0500	0.0500	4,884	
Village of Newtown	General Revenue	698,858	0.9999	0.9999	708,488	1.0000	1.0000	7,085	
	Parks & Recreation	698,858	0.2000	0.2000	708,488	0.2000	0.2000	1,417	
	General Revenue-Temp	698,858	0.2999	0.2999	708,488	0.3000	0.3000	2,125	2009
	Debt Service	698,858	0.3935	0.3935	708,488	0.3882	0.3882	2,750	
Village of Osgood	General Revenue	110,186	1.0000	1.0000	111,939	1.0000	0.0000	0	
	General Revenue-Temp	110,186	0.3000	0.3000	111,939	0.3000	0.0000	0	2008
Sullivan County Library	General Revenue	74,958,821	0.1000	0.1000	78,226,435	0.1000	0.1000	78,226	
Bowman Township of Sullivan Co	General Revenue	5,976,840	0.1000	0.1000	6,134,429	0.1000	0.1000	6,134	
	Road & Bridge	5,976,840	0.5000	0.5000	6,134,429	0.5000	0.5000	30,672	
	Special Road and Bridge	5,976,840	0.3500	0.3500	6,134,429	0.3500	0.3500	21,471	2008
Buchanan Township of Sullivan Co	General Revenue	3,701,723	0.1000	0.1000	3,871,565	0.1000	0.1000	3,872	
	Road & Bridge	3,701,723	0.5000	0.5000	3,871,565	0.5000	0.5000	19,358	
	Special Road and Bridge	3,701,723	0.3500	0.3500	3,871,565	0.3500	0.3500	13,550	2008
Clay Township of Sullivan Co	General Revenue	5,716,105	0.1000	0.1000	5,836,917	0.1000	0.1000	5,837	
	Road & Bridge	5,716,105	0.5000	0.5000	5,836,917	0.5000	0.5000	29,185	
	Special Road and Bridge	5,716,105	0.3500	0.0000	A 5,836,917	0.3500	0.3500	20,429	2010
Duncan Township of Sullivan Co	General Revenue	3,721,949	0.1000	0.1000	3,773,014	0.1000	0.1000	3,773	
	Road & Bridge	3,721,949	0.5000	0.5000	3,773,014	0.5000	0.5000	18,865	
	Special Road and Bridge	3,721,949	0.3500	0.3500	A 3,773,014	0.3500	0.3500	13,206	2010
Jackson Township of Sullivan Co	General Revenue	4,597,173	0.1000	0.1000	4,514,806	0.1000	0.1000	4,515	
	Road & Bridge	4,597,173	0.4780	0.4780	4,514,806	0.4882	0.4882	22,041	
	Special Road and Bridge	4,597,173	0.3500	0.3500	4,514,806	0.3500	0.3500	15,802	2008
Liberty Township of Sullivan Co	General Revenue	3,137,844	0.0999	0.0999	3,286,017	0.1000	0.1000	3,286	
	Road & Bridge	3,137,844	0.4995	0.4995	3,286,017	0.5000	0.5000	16,430	
	Special Road and Bridge	3,137,844	0.3497	0.3497	**	**	**		2007
	Special Road and Bridge	**	**	**	3,286,017	0.3500	0.3500	11,501	A 2011
Morris Township of Sullivan Co	General Revenue	3,042,353	0.1000	0.1000	3,246,005	0.1000	0.1000	3,246	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year	
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
<u>Sullivan</u>										
Morris Township of Sullivan Co	Road & Bridge	3,042,353	0.5000	0.5000		3,246,005	0.5000	0.5000	16,230	2008
	Special Road and Bridge	3,042,353	0.3500	0.3500		3,246,005	0.3500	0.3500	11,361	
Penn Township of Sullivan Co	General Revenue	11,676,572	0.1000	0.1000		11,381,115	0.1000	0.1000	11,381	
	Road & Bridge	11,676,572	0.5000	0.5000		11,381,115	0.5000	0.5000	56,906	
Pleasant Hill Township, Sullivan Co	General Revenue	3,810,906	0.1000	0.1000		4,021,343	0.1000	0.1000	4,021	
	Road & Bridge	3,810,906	0.5000	0.5000		4,021,343	0.5000	0.5000	20,107	
	Special Road and Bridge	3,810,906	0.3500	0.3500	A	4,021,343	0.3500	0.3500	14,075	2010
Polk Township of Sullivan Co	General Revenue	23,358,116	0.1000	0.1000		25,609,861	0.1000	0.1000	25,610	
	Road & Bridge	23,358,116	0.5000	0.5000		25,609,861	0.5000	0.5000	128,049	
	Special Road and Bridge	23,358,116	0.3500	0.3500		**	**	**		2007
	Special Road and Bridge	**	**	**		25,609,861	0.3500	0.3500	89,635	A 2011
Taylor Township of Sullivan Co	General Revenue	1,725,753	0.1000	0.1000		1,765,531	0.1000	0.1000	1,766	
	Road & Bridge	1,725,753	0.5000	0.5000		1,765,531	0.5000	0.5000	8,828	
	Special Road and Bridge	1,725,753	0.3500	0.3500	A	1,765,531	0.3500	0.3500	6,179	2010
Union Township of Sullivan Co	General Revenue	4,388,138	0.1000	0.1000		4,690,301	0.1000	0.1000	4,690	
	Road & Bridge	4,388,138	0.5000	0.5000		4,690,301	0.5000	0.5000	23,452	
	Special Road and Bridge	4,388,138	0.3500	0.3500	A	4,690,301	0.3500	0.3500	16,416	2010
Medicine Creek Fire Protection Dist	General Revenue	22,383,671	0.3000	0.3000		21,983,318	0.3000	0.3000	65,950	
Galt Fire Protection District	General Revenue	12,184,614	0.3000	0.3000		12,464,441	0.3000	0.3000	37,393	
Sullivan County Health Department	General Revenue	**	**	**		78,226,435	0.2504	0.2504	195,879	
Green City R-I School District	Operating Funds-Schools	20,665,245	4.4491	3.7599		21,215,527	4.4370	3.7859	803,199	
	Debt Service	20,665,245	0.7198	0.6200		21,215,527	0.6389	0.6389	135,546	
Milan C-2 School District	Operating Funds-Schools	34,689,685	3.7008	3.3500	E	37,477,894	3.6853	3.3500	1,255,509	E
Newtown-Harris R-III School Dist	Operating Funds-Schools	9,762,628	6.8257	5.0000		10,163,752	6.7904	5.0000	508,188	
Sullivan County	General Revenue	74,958,821	0.4000	0.2485		78,226,435	0.4000	0.2500	195,566	
	Health	74,958,821	0.2504	0.2504		**	**	**		
	Hospital	74,958,821	0.4300	0.4300		78,226,435	0.4300	0.4300	336,374	
<u>Taney</u>										
Taney County Ambulance District	General Revenue	917,522,797	0.1893	0.0000		932,016,415	0.1893	0.0000	0	
City of Branson	General Revenue	471,418,771	0.4542	0.4535		450,215,929	0.5248	0.5155	2,320,863	
City of Forsyth	General Revenue	22,193,765	0.5218	0.5218		24,860,492	0.5225	0.5225	129,896	
	Debt Service	22,193,765	0.3576	0.3576		24,860,492	0.3101	0.3101	77,092	
City of Hollister	General Revenue	43,101,356	0.5527	0.5527		45,424,841	0.5570	0.5570	253,016	
	Debt Service	43,101,356	0.5941	0.2935		45,424,841	0.5625	0.2892	131,369	
City of Rockaway Beach	General Revenue	6,115,468	0.6693	0.6693		6,317,842	0.6693	0.6693	42,285	
Village of Merriam Woods	General Revenue	7,779,232	0.4737	0.4737		8,918,393	0.4737	0.4737	42,246	
Village of Bull Creek	General Revenue	530,106	0.4503	0.4503		541,713	0.4707	0.4707	2,550	
Western Taney Co Fire Prot Dist	General Revenue	293,091,953	0.3643	0.3643		323,804,077	0.3643	0.3643	1,179,618	
Central Taney County Fire Prot Dist	General Revenue	67,869,456	0.4007	0.4007		70,495,528	0.4007	0.4007	282,476	
Cedarcreek Fire Protection Dist	General Revenue	4,226,837	0.2967	0.2967		4,451,052	0.2967	0.2967	13,206	
Protem Fire Protection District	General Revenue	5,877,415	0.3000	0.3000		6,297,768	0.3000	0.3000	18,893	
Taney County Health Department	General Revenue	**	**	**		932,016,415	0.1404	0.1404	1,308,551	
Bradleyville R-I School District	Operating Funds-Schools	7,151,405	3.9124	3.7000	E	7,401,006	3.9124	3.7000	273,837	E
Taneyville R-II School District	Operating Funds-Schools	8,850,418	3.5516	3.4300	E	10,372,321	3.4320	3.4300	355,771	E
	Debt Service	8,850,418	0.9296	0.8344	E	10,372,321	0.9173	0.8344	86,547	E
Forsyth R-III School District	Operating Funds-Schools	69,140,943	3.2476	3.2476	E	71,496,059	3.2815	3.2815	2,346,143	E
	Debt Service	69,140,943	0.8056	0.8056	E	71,496,059	1.4132	0.8100	579,118	E
Branson R-IV School District	Operating Funds-Schools	603,035,761	3.2000	3.2000	BE	619,005,980	3.2000	3.2000	19,808,191	E
	Debt Service	624,029,091	0.7630	0.7000	E	619,005,980	0.9124	0.7000	4,333,042	E
Hollister R-V School District	Operating Funds-Schools	146,532,152	3.3803	3.3803	E	160,572,708	3.4303	3.4303	5,508,126	BE

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Taney</u>										
Hollister R-V School District	Debt Service	146,532,152	0.8926	0.8597	E	160,572,708	0.8098	0.8097	1,300,157	E
Kirbyville R-VI School District	Operating Funds-Schools	32,472,446	3.2079	3.2079	E	34,274,583	3.2252	3.2252	1,105,424	E
	Debt Service	32,472,446	1.2548	0.9000	E	34,274,583	1.5303	0.9000	308,471	E
Mark Twain R-VIII School District	Operating Funds-Schools	5,626,662	3.4879	3.4879	E	5,626,662	3.5013	3.5013	197,006	E
Taney County	General Revenue	896,529,467	0.2523	0.0000		932,016,415	0.2523	0.0000	0	
	Road & Bridge	917,522,797	0.1893	0.0000		932,016,415	0.1893	0.0000	0	
	Health	896,529,467	0.1352	0.1352		**	**	**		
	Developmentally Disabled	896,529,467	0.0873	0.0873		932,016,415	0.0873	0.0873	813,650	
<u>Texas</u>										
City of Cabool	General Revenue	15,887,721	0.7496	0.7496		18,637,571	0.7217	0.7217	134,507	
City of Houston	General Revenue	20,430,547	0.3290	0.3290		21,937,783	0.3225	0.3225	70,749	
	Debt Service	20,430,547	0.2147	0.2147		21,937,783	0.1756	0.1756	38,523	
City of Licking	General Revenue	9,663,378	0.4496	0.4496		10,606,495	0.4284	0.4284	45,438	
	Debt Service	9,663,378	0.3622	0.3622		10,606,495	0.3215	0.3215	34,100	
Village of Raymondville	General Revenue	2,010,630	0.3800	0.3800		2,482,686	0.3474	0.3474	8,625	
City of Summersville	General Revenue	3,381,468	0.5823	0.5823		3,467,793	0.5823	0.5823	20,193	
	Debt Service	3,381,468	0.6566	0.6566		3,467,793	0.6169	0.6169	21,393	
Texas County Library District	General Revenue	169,541,524	0.1000	0.1000		188,361,462	0.0957	0.0957	180,262	
Boone Township of Texas Co	General Revenue	1,723,518	0.1000	0.0750		1,931,746	0.0955	0.0750	1,449	
	Road & Bridge	1,723,518	0.2843	0.2469		1,931,746	0.2716	0.2469	4,769	
Burdine Township of Texas Co	General Revenue	26,074,694	0.0928	0.0928		29,227,147	0.0902	0.0902	26,363	
	Road & Bridge	26,074,694	0.3096	0.3096		29,227,147	0.3010	0.3010	87,974	
Carroll Township of Texas Co	General Revenue	7,681,527	0.0968	0.0968		7,841,162	0.0968	0.0968	7,590	
	Road & Bridge	7,681,527	0.3417	0.3417		7,841,162	0.3417	0.3417	26,793	
Cass Township of Texas Co	General Revenue	8,623,986	0.1000	0.1000		9,237,500	0.0978	0.0978	9,034	
	Road & Bridge	8,623,986	0.3352	0.3352		9,237,500	0.3279	0.3279	30,290	
Clinton Township of Texas Co	General Revenue	11,994,231	0.1000	0.1000		13,543,501	0.0967	0.0967	13,097	
	Road & Bridge	11,994,231	0.5000	0.5000		13,543,501	0.4836	0.4836	65,496	
Current Township of Texas Co	General Revenue	1,588,274	0.0994	0.0994		1,796,344	0.0930	0.0930	1,671	
	Road & Bridge	1,588,274	0.3021	0.3021		1,796,344	0.2825	0.2825	5,075	
Date Township of Texas Co	General Revenue	3,437,595	0.0920	0.0920		3,626,245	0.0906	0.0906	3,285	
	Road & Bridge	3,437,595	0.2864	0.2864		3,626,245	0.2821	0.2821	10,230	
Jackson Township of Texas Co	General Revenue	7,820,102	0.1000	0.1000		9,065,126	0.0923	0.0923	8,367	
	Road & Bridge	7,820,102	0.3621	0.3621		9,065,126	0.3342	0.3342	30,296	
Lynch Township of Texas Co	General Revenue	8,634,777	0.1000	0.1000		10,228,015	0.0928	0.0928	9,492	
	Road & Bridge	8,634,777	0.3146	0.3146		10,228,015	0.2918	0.2918	29,845	
Morris Township of Texas Co	General Revenue	5,792,995	0.1000	0.1000		6,170,451	0.0983	0.0983	6,066	
	Road & Bridge	5,792,995	0.3269	0.3269		6,170,451	0.3212	0.3212	19,819	
Ozark Township of Texas Co	General Revenue	3,717,904	0.1000	0.1000		3,868,474	0.0999	0.0999	3,865	
	Road & Bridge	3,717,904	0.3503	0.3503		3,868,474	0.3498	0.3498	13,532	
Pierce Township of Texas Co	General Revenue	3,450,625	0.1000	0.1000		3,620,184	0.0991	0.0991	3,588	
	Road & Bridge	3,450,625	0.3257	0.3257		3,620,184	0.3226	0.3226	11,679	
Piney Township of Texas Co	General Revenue	37,458,913	0.0992	0.0992		41,606,079	0.0946	0.0946	39,359	
	Road & Bridge	37,458,913	0.3098	0.3098		41,606,079	0.2955	0.2955	122,946	
Roubidoux Township of Texas Co	General Revenue	11,251,769	0.0990	0.0990		12,876,667	0.0934	0.0934	12,027	
	Road & Bridge	11,251,769	0.2959	0.2959		12,876,667	0.2792	0.2792	35,952	
Sargent Township of Texas Co	General Revenue	2,726,596	0.0700	0.0700		2,910,633	0.0686	0.0686	1,997	
	Road & Bridge	2,726,596	0.2800	0.2800		2,910,633	0.2745	0.2745	7,990	
Sherrill Township of Texas Co	General Revenue	23,133,012	0.0997	0.0997		25,721,525	0.0951	0.0951	24,461	
	Road & Bridge	23,133,012	0.3522	0.3522		25,721,525	0.3358	0.3358	86,373	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Texas</u>										
Upton Township of Texas Co	General Revenue	4,753,168	0.1000	0.1000		5,391,625	0.0952	0.0952	5,133	
	Road & Bridge	4,753,168	0.3147	0.3147		5,391,625	0.2997	0.2997	16,159	
Texas County Health Department	General Revenue	**	**	**		188,361,462	0.0957	0.0957	180,262	
Success R-VI School District	Operating Funds-Schools	5,838,099	2.7500	2.7500	E	6,956,490	2.7500	2.7500	191,303	E
Houston R-I School District	Operating Funds-Schools	44,849,657	2.8437	2.8437	E	49,809,901	2.7500	2.7500	1,369,772	E
	Debt Service	44,849,657	0.8894	0.8000	E	49,809,901	1.0213	0.8000	398,479	E
Summersville R-II School District	Operating Funds-Schools	22,943,562	2.9631	2.9631	E	23,815,397	2.9749	2.9749	708,484	E
Licking R-VIII School District	Operating Funds-Schools	29,344,047	2.7500	2.7500	E	32,978,475	2.7500	2.7500	906,908	E
Cabool R-IV School District	Operating Funds-Schools	38,061,350	2.6613	2.6613	E	41,958,207	2.6100	2.6100	1,095,109	E
	Operating Schools-Temp	38,061,350	0.5628	0.5487	E	41,958,207	0.5496	0.5496	230,602	E 2009
Plato R-V School District	Operating Funds-Schools	24,442,039	2.8990	2.8990	E	26,527,055	2.8850	2.8850	765,306	E
Raymondville R-VII School District	Operating Funds-Schools	7,123,965	3.2130	3.2000	E	8,288,399	2.9930	2.9930	248,072	E
	Debt Service	7,123,965	0.3763	0.3500	E	8,288,399	0.4743	0.4743	39,312	E
Texas County	General Revenue	169,541,524	0.2776	0.0000		188,361,462	0.2656	0.0000	0	
	Health	169,541,524	0.1000	0.1000		**	**	**		
	Senate Bill 40	169,541,524	0.1000	0.1000		188,361,462	0.0957	0.0957	180,262	
<u>Vernon</u>										
Vernon County Ambulance District	General Revenue	214,323,916	0.1500	0.1500		220,585,051	0.1500	0.1500	330,878	
City of Bronaugh	General Revenue	976,418	0.1329	0.1329		1,035,018	0.1345	0.1345	1,392	
	Streets	976,418	0.2995	0.2995		1,035,018	0.3030	0.3030	3,136	
Village of Deerfield	General Revenue	447,588	0.3500	0.3500		448,293	0.3500	0.3500	1,569	
Village of Harwood	General Revenue	268,457	0.9998	0.9939		267,578	1.0000	0.9939	2,659	
City of Metz	General Revenue	424,181	0.6000	0.5608		422,799	0.6000	0.5608	2,371	
Village of Milo	General Revenue	283,781	0.7500	0.7500		268,424	0.7500	0.7500	2,013	
Village of Moundville	General Revenue	504,576	0.4330	0.4330		512,935	0.4383	0.4330	2,221	
	Parks & Recreation	504,576	0.2000	0.2000		512,935	0.2000	0.2000	1,026	
City of Nevada	General Revenue	85,052,540	0.6696	0.6696		87,579,954	0.6696	0.6696	586,435	
	Parks & Recreation	85,052,540	0.2000	0.0000		87,579,954	0.2000	0.0000	0	
	Library	85,052,540	0.2000	0.2000		87,579,954	0.2000	0.2000	175,160	
City of Richards	General Revenue	370,176	0.4984	0.4984		390,819	0.4983	0.4983	1,947	
	Streets	370,176	0.2492	0.2492		390,819	0.2490	0.2490	973	
City of Schell City	General Revenue	991,113	0.7740	0.7740		983,291	0.7810	0.7810	7,680	
City of Sheldon	General Revenue	2,391,651	0.5373	0.5373		2,394,802	0.5417	0.5373	12,867	
	Streets	2,391,651	0.1721	0.1721		2,394,802	0.1735	0.1721	4,121	
Village of Stotesbury	General Revenue	42,871	0.3245	0.3245		48,897	0.3030	0.3030	148	
	Lights	42,871	0.0924	0.0924		48,897	0.0884	0.0884	43	
	Streets	42,871	0.0450	0.0450		48,897	0.0421	0.0421	21	
City of Walker	General Revenue	1,441,619	0.5296	0.5296		1,404,862	0.5508	0.5296	7,440	
	Lights	1,441,619	0.0500	0.0500		1,404,862	0.0500	0.0500	702	
	Streets	1,441,619	0.1355	0.1355		1,404,862	0.1409	0.1355	1,904	
Bacon Township of Vernon Co	General Revenue	5,300,750	0.1000	0.1000		5,367,766	0.1000	0.1000	5,368	
	Road & Bridge	5,300,750	0.3809	0.3809		5,367,766	0.3821	0.3821	20,510	
	Special Road and Bridge	5,300,750	0.1700	0.1700	A	5,367,766	0.1700	0.1700	9,125	2008
Badger Township of Vernon Co	General Revenue	4,654,403	0.0961	0.0961		4,843,992	0.0961	0.0961	4,655	
	Road & Bridge	4,654,403	0.3500	0.3500		4,843,992	0.3500	0.3500	16,954	
	Special Road and Bridge	4,654,403	0.3400	0.3400		4,843,992	0.3400	0.3400	16,470	2008
Blue Mound Township of Vernon Co	General Revenue	3,434,453	0.1000	0.1000		3,505,352	0.1000	0.1000	3,505	
	Road & Bridge	3,434,453	0.2617	0.2617		3,505,352	0.2643	0.2643	9,265	
	Special Road and Bridge	3,434,453	0.1860	0.1860		3,505,352	0.1860	0.1860	6,520	2008
Center Township of Vernon Co	General Revenue	104,653,369	0.1000	0.1000		107,161,014	0.1000	0.1000	107,161	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>Vernon</u>									
Center Township of Vernon Co	Road & Bridge	104,653,369	0.3323	0.3323	107,161,014	0.3323	0.3323	356,096	
Clear Creek Township of Vernon Co	General Revenue	5,334,283	0.0989	0.0989	5,362,184	0.1000	0.1000	5,362	
	Road & Bridge	5,334,283	0.3518	0.3518	5,362,184	0.3570	0.3570	19,143	
Coal Township of Vernon Co	General Revenue	3,694,345	0.1000	0.1000	4,563,668	0.0982	0.0982	4,482	
	Road & Bridge	3,694,345	0.3500	0.3500	4,563,668	0.3438	0.3438	15,690	
Deerfield Township of Vernon Co	General Revenue	9,036,027	0.0919	0.0919	8,982,573	0.0948	0.0948	8,515	
	Road & Bridge	9,036,027	0.3479	0.3479	8,982,573	0.3500	0.3500	31,439	
	Special Road and Bridge	9,036,027	0.3479	0.3479	8,982,573	0.3500	0.3500	31,439	2008
Dover Township of Vernon Co	General Revenue	4,975,483	0.1000	0.0996	4,923,493	0.1000	0.0996	4,904	
	Road & Bridge	4,975,483	0.3500	0.2702	4,923,493	0.3500	0.2702	13,303	
	Special Road and Bridge	4,975,483	0.3487	0.3487	4,923,493	0.3487	0.3487	17,168	2009
Drywood Township of Vernon Co	General Revenue	9,731,652	0.1000	0.1000	9,915,155	0.1000	0.1000	9,915	
	Road & Bridge	9,731,652	0.2864	0.2860	9,915,155	0.2864	0.2860	28,357	
	Special Road and Bridge	9,731,652	0.3000	0.3000	A 9,915,155	0.3000	0.3000	29,745	2010
Harrison Township of Vernon Co	General Revenue	4,320,832	0.1000	0.1000	4,494,628	0.1000	0.1000	4,495	
	Road & Bridge	4,320,832	0.3500	0.3500	4,494,628	0.3500	0.3500	15,731	
	Special Road and Bridge	4,320,832	0.3500	0.3500	4,494,628	0.3500	0.3500	15,731	2008
Henry Township of Vernon Co	General Revenue	3,668,938	0.0990	0.0990	4,068,966	0.0990	0.0990	4,028	
	Road & Bridge	3,668,938	0.3466	0.3466	4,068,966	0.3466	0.3466	14,103	
	Special Road and Bridge	3,668,938	0.3466	0.3466	4,068,966	0.3466	0.3466	14,103	2008
Lake Township of Vernon Co	General Revenue	2,642,364	0.1000	0.1000	2,703,448	0.1000	0.1000	2,703	
	Road & Bridge	2,642,364	0.5000	0.5000	2,703,448	0.5000	0.5000	13,517	
	Special Road and Bridge	2,642,364	0.3500	0.3500	2,703,448	0.3500	0.3500	9,462	2008
Metz Township of Vernon Co	General Revenue	4,131,482	0.0996	0.0996	4,100,288	0.1000	0.1000	4,100	
	Road & Bridge	4,131,482	0.3304	0.3304	4,100,288	0.3379	0.3379	13,855	
	Special Road and Bridge	4,131,482	0.3500	0.3500	A 4,100,288	0.3500	0.3500	14,351	2008
Montevallo Township of Vernon Co	General Revenue	4,404,291	0.1000	0.1000	5,022,587	0.1000	0.1000	5,023	
	Road & Bridge	4,404,291	0.3500	0.3500	5,022,587	0.3500	0.3500	17,579	
	Special Road and Bridge	4,404,291	0.2500	0.2500	A 5,022,587	0.2500	0.2500	12,556	2008
Moundville Township of Vernon Co	General Revenue	6,076,507	0.1000	0.1000	6,355,428	0.1000	0.1000	6,355	
	Road & Bridge	6,076,507	0.3500	0.3500	6,355,428	0.3500	0.3500	22,244	
	Special Road and Bridge	6,076,507	0.2400	0.2400	6,355,428	0.2400	0.2400	15,253	2008
Osage Township of Vernon Co	General Revenue	3,605,056	0.1000	0.1000	3,510,018	0.1000	0.1000	3,510	
	Road & Bridge	3,605,056	0.3500	0.3500	3,510,018	0.3500	0.3500	12,285	
	Special Road and Bridge	3,605,056	0.2500	0.2500	** ** *	** ** *	** ** *		2007
Richland Township of Vernon Co	General Revenue	2,969,164	0.0984	0.0984	3,151,810	0.0984	0.0984	3,101	
	Road & Bridge	2,969,164	0.3445	0.3445	3,151,810	0.3445	0.3445	10,858	
	Special Road and Bridge	2,969,164	0.3500	0.3500	A 3,151,810	0.3500	0.3500	11,031	2010
Virgil Township of Vernon Co	General Revenue	3,855,799	0.0809	0.0809	4,086,565	0.0809	0.0809	3,306	
	Road & Bridge	3,855,799	0.2934	0.2934	4,086,565	0.2934	0.2934	11,990	
Walker Township of Vernon Co	General Revenue	5,342,134	0.0990	0.0987	5,462,071	0.1000	0.0987	5,391	
	Road & Bridge	5,342,134	0.3295	0.3285	5,462,071	0.3331	0.3285	17,943	
	Special Road and Bridge	5,342,134	0.3500	0.3500	5,462,071	0.3500	0.3500	19,117	2008
Washington Township of Vernon Co	General Revenue	22,492,584	0.0983	0.0983	23,004,045	0.0983	0.0983	22,613	
	Road & Bridge	22,492,584	0.3441	0.3441	23,004,045	0.3441	0.3441	79,157	
	Special Road and Bridge	22,492,584	0.2949	0.2949	23,004,045	0.2949	0.2949	67,839	2008
Vernon County Health Department	General Revenue	**	**	**	220,585,051	0.1000	0.1000	220,585	
Nevada R-V School District	Operating Funds-Schools	151,988,072	3.4411	3.4411	E 156,732,440	3.4250	3.4250	5,368,086	E
	Operating Funds-Temp	151,988,072	0.1398	0.0000	E 156,732,440	0.1398	0.1398	219,112	E 2009
	Debt Service	151,988,072	0.1400	0.1300	E 156,732,440	0.2942	0.1352	211,902	E
Bronaugh R-VII School District	Operating Funds-Schools	11,262,050	3.6209	3.6209	E 11,699,689	3.6493	3.6493	426,957	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Vernon</u>										
Sheldon R-VIII School District	Operating Funds-Schools	9,908,128	4.1869	3.4300	E	10,472,090	4.2410	3.4915	365,633	E
	Debt Service	9,908,128	0.7921	0.5500	E	10,472,090	0.4885	0.4885	51,156	E
Northeast Vernon County R-I	Operating Funds-Schools	16,227,864	4.2551	3.4500	E	16,592,706	4.2276	4.2200	700,212	E
Vernon County	General Revenue	214,323,916	0.3620	0.1422		220,585,051	0.3620	0.1579	348,304	
	Health	214,323,916	0.1000	0.1000		**	**	**		
<u>Warren</u>										
Marthasville Community Amb Dist	General Revenue	84,641,295	0.1531	0.1531		87,085,297	0.1531	0.1531	133,328	
	Ambulance	84,641,295	0.1339	0.1339		87,085,297	0.1339	0.1339	116,607	
Warren County Ambulance District	General Revenue	410,108,410	0.3253	0.3253		428,251,087	0.3253	0.3253	1,393,101	
City of Marthasville	General Revenue	12,677,777	0.5294	0.5294		13,549,539	0.5294	0.5294	71,731	
	Lights	12,677,777	0.1208	0.1208		13,549,539	0.1208	0.1208	16,368	
City of Truesdale	General Revenue	16,377,048	0.6446	0.6446		18,510,596	0.6542	0.6542	121,096	
	Debt Service	16,377,048	0.0575	0.0575		18,510,596	0.0587	0.0587	10,866	
City of Warrenton	General Revenue	100,569,874	0.2521	0.2521		106,790,410	0.2521	0.2521	269,219	
	Parks & Recreation	100,569,874	0.1494	0.1494		106,790,410	0.1494	0.1494	159,545	
City of Wright City	General Revenue	43,742,363	0.4605	0.4605		44,495,727	0.4700	0.4700	209,130	
	Parks & Recreation	43,742,363	0.0856	0.0856		44,495,727	0.0874	0.0874	38,889	
	Lights	43,742,363	0.1710	0.1710		44,495,727	0.1745	0.1745	77,645	
	Debt Service	43,742,363	0.0723	0.0723		44,495,727	0.0852	0.0852	37,910	
Village of Innsbrook	General Revenue	48,819,976	0.1273	0.1273		52,853,867	0.1273	0.1273	67,283	
Village of Pendleton	General Revenue	336,146	0.5000	0.5000		364,649	0.5000	0.5000	1,823	
Warren County Library District	General Revenue	499,334,789	0.0654	0.0654		519,799,441	0.0654	0.0654	339,949	
	Library	499,334,789	0.0374	0.0374		519,799,441	0.0374	0.0374	194,405	2008
Wright City Fire Protection Dist	General Revenue	173,784,002	0.3953	0.3953		180,013,808	0.3953	0.3953	711,595	
Marthasville Fire Protection Dist	General Revenue	63,869,559	0.4018	0.3979		65,598,607	0.4018	0.4018	263,575	
Warrenton Fire Protection District	General Revenue	236,312,164	0.4238	0.4238		248,387,312	0.4238	0.4238	1,052,665	
Wright City R-II School District	Operating Funds-Schools	164,560,092	3.0068	3.0068	E	170,347,761	3.0113	3.0113	5,129,682	E
	Debt Service	164,560,092	1.2806	0.9370	E	170,347,761	1.2978	0.9370	1,596,159	E
Warren Co R-III School District	Operating Funds-Schools	252,503,643	3.2677	3.2677	E	265,567,058	3.2635	3.2635	8,666,781	E
	Debt Service	252,503,643	1.0310	0.6189	E	265,567,058	0.9013	0.6189	1,643,595	E
Warren County	General Revenue	499,334,789	0.2334	0.0993		519,799,441	0.2334	0.1048	544,750	
	Road & Bridge	499,334,789	0.1681	0.1681		519,799,441	0.1681	0.1681	873,783	
	Developmentally Disabled	499,334,789	0.1774	0.1600		519,799,441	0.1774	0.1600	831,679	
<u>Washington</u>										
Washington County Ambulance Dist	General Revenue	209,456,486	0.2346	0.2346		214,353,002	0.2350	0.0665	142,545	
Village of Caledonia	General Revenue	1,179,163	0.1431	0.1431		1,224,326	0.1431	0.1431	1,752	
City of Irondale	General Revenue	1,919,619	0.4866	0.4866		1,937,866	0.4866	0.4866	9,430	
Village of Mineral Point	General Revenue	954,638	0.2851	0.2851		944,416	0.2882	0.2882	2,722	
City of Potosi	General Revenue	24,804,430	0.5698	0.5698		25,747,022	0.5698	0.5698	146,707	
Washington County Library District	General Revenue	209,456,486	0.1877	0.1877		214,353,002	0.1880	0.1880	402,984	
Potosi Fire Protection District	General Revenue	137,564,488	0.2367	0.2367		141,217,769	0.2367	0.2367	334,262	
Richwoods Fire Protection District	General Revenue	14,961,066	0.2572	0.2572		15,431,161	0.2572	0.2572	39,689	
Irondale Fire Protection District	General Revenue	9,114,362	0.4664	0.4664		9,741,696	0.4664	0.4664	45,435	
Caledonia Fire Protection District	General Revenue	5,290,220	0.3408	0.3408		5,340,930	0.3430	0.3430	18,319	
Washington County Health Department	General Revenue	**	**	**		214,353,002	0.1409	0.1409	302,023	
Kingston K-14 School District	Operating Funds-Schools	27,022,300	2.9246	2.9246	E	27,950,092	3.0218	3.0218	844,596	E
	Debt Service	27,022,300	1.4106	1.0148	E	27,950,092	1.1993	0.9176	256,470	E
Potosi R-III School District	Operating Funds-Schools	80,568,478	2.7500	2.7500	F	82,255,738	2.7500	2.7500	2,262,033	F
	Debt Service	80,568,478	1.0456	0.5000	F	82,255,738	1.1255	0.5000	411,279	F

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Washington</u>										
Richwoods R-VII School District	Operating Funds-Schools	12,401,127	3.2385	3.2385	E	12,429,088	3.1223	3.1223	388,073	E
Valley R-VI School District	Operating Funds-Schools	20,906,172	3.4760	3.4760	E	21,445,936	3.5685	3.5685	765,298	E
Washington County	General Revenue	209,456,486	0.3661	0.1830		214,353,002	0.3667	0.1834	393,123	
	Road & Bridge	209,456,486	0.2573	0.2573		214,353,002	0.2578	0.2578	552,602	
	Health	209,456,486	0.1407	0.1407		**	**	**		
	Hospital	209,456,486	0.1877	0.1877		214,353,002	0.1880	0.1880	402,984	
	Senate Bill 40	209,456,486	0.1877	0.1877		214,353,002	0.1880	0.1880	402,984	
	Senior Services	209,456,486	0.0469	0.0469		214,353,002	0.0470	0.0470	100,746	
<u>Wayne</u>										
East Wayne County Ambulance Dist	General Revenue	50,504,577	0.2922	0.2922		53,642,213	0.2922	0.2922	156,743	
Clearwater Ambulance District	General Revenue	63,544,443	0.2774	0.2774		62,808,920	0.2843	0.2843	178,566	
Village of Mill Spring	General Revenue	519,821	0.6213	0.6213		503,515	0.6453	0.6453	3,249	
City of Piedmont	General Revenue	18,780,603	0.2292	0.2200		18,086,965	0.2425	0.2200	39,791	
	Lights	18,780,603	0.1498	0.1300		18,086,965	0.1585	0.1300	23,513	
	Library	18,780,603	0.0970	0.0970		18,086,965	0.1026	0.1000	18,087	
	Cemetery	18,780,603	0.0428	0.0300		18,086,965	0.0453	0.0300	5,426	
	General Revenue	47,141,576	0.2781	0.2781		46,769,105	0.2837	0.2837	132,684	
Clearwater Fire Protection District	General Revenue	**	**	**		119,713,234	0.0965	0.0983	117,678	C
Wayne County Health Center	General Revenue									
Greenville R-II School District	Operating Funds-Schools	35,844,351	2.7500	2.7500	E	38,418,246	2.7500	2.7500	1,056,502	E
	Debt Service	35,844,351	0.3991	0.3600	E	38,418,246	0.3860	0.3600	138,306	E
Clearwater R-I School District	Operating Funds-Schools	63,229,908	2.7500	2.7500	E	62,023,399	2.7500	2.7500	1,705,643	E
	Debt Service	63,229,908	0.3665	0.3423	E	62,023,399	0.2858	0.2858	177,263	E
Wayne County	General Revenue	117,227,222	0.2860	0.1450		119,713,234	0.2917	0.1450	173,584	
	Road & Bridge	117,227,222	0.2192	0.1100		119,713,234	0.2236	0.1100	131,685	
	Health	117,227,222	0.0946	0.0946		**	**	**		
	Senate Bill 40	117,227,222	0.0858	0.0800		119,713,234	0.0875	0.0800	95,771	
<u>Webster</u>										
Village of Diggins	General Revenue	1,963,998	0.2016	0.2016		2,026,644	0.2048	0.2048	4,151	
City of Fordland	General Revenue	4,356,447	0.3893	0.3893		4,369,640	0.3893	0.3893	17,011	
City of Marshfield	Parks & Recreation	69,828,636	0.1074	0.1000		69,957,643	0.1100	0.1000	69,958	
	Cemetery	69,828,636	0.1270	0.1000		69,957,643	0.1301	0.1000	69,958	
	Debt Service	69,828,636	0.3904	0.3700		69,957,643	0.4963	0.3700	258,843	
	General Revenue	1,766,301	0.2494	0.2494		1,802,214	0.2532	0.2532	4,563	
City of Niangua	General Revenue	26,392,254	0.3077	0.3077		28,702,749	0.3077	0.3061	87,859	
City of Rogersville	General Revenue	26,392,254	0.3887	0.3887		28,702,749	0.4425	0.4425	127,010	
	Debt Service	26,392,254	0.3887	0.3887		28,702,749	0.4425	0.4425	127,010	
City of Seymour	General Revenue	14,475,275	0.3508	0.3508		14,501,798	0.3599	0.3599	52,192	
	Parks & Recreation	14,475,275	0.0779	0.0779		14,501,798	0.0799	0.0799	11,587	
	Library	6,687,331	0.0595	0.0595		6,522,750	0.0614	0.0614	4,005	
	Cemetery Fund	14,475,275	0.0487	0.0487		14,501,798	0.0500	0.0500	7,251	
Webster County Library District	General Revenue	311,617,166	0.1158	0.1158		320,465,990	0.1159	0.1159	371,420	
Southern Webster Co Fire Prot Dist	General Revenue	59,821,092	0.2919	0.2919		62,349,931	0.2923	0.2923	182,249	
Marshfield Fire Protection District	General Revenue	46,716,089	0.3000	0.3000	A	85,225,574	0.3000	0.3000	255,677	
Niangua Fire Protection District	General Revenue	**	**	**	G	12,066,778	0.3000	0.2500	30,167	
Webster County Health Unit	General Revenue	**	**	**		327,010,960	0.1351	0.1351	441,792	
Niangua R-V School District	Operating Funds-Schools	12,996,658	3.1253	3.0253	E	13,151,749	3.1571	3.1571	415,214	E
Fordland R-III School District	Operating Funds-Schools	26,960,665	2.7500	2.7500	F	28,955,730	2.7500	2.7500	796,283	F
	Debt Service	26,960,665	0.9059	0.7900	F	28,955,730	0.8254	0.7900	228,750	F
Marshfield R-I School District	Operating Funds-Schools	162,071,717	2.7000	2.7000	E	165,807,105	2.7500	2.7500	4,559,695	E
	Debt Service	162,071,717	0.9902	0.5000	E	165,807,105	1.0384	0.5000	829,036	E

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007				2008				Expiration Year
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	Revenue	
<u>Webster</u>										
Seymour R-II School District	Operating Funds-Schools	40,141,884	2.7500	2.7500	F	40,554,711	2.7500	2.7500	1,115,255	F
Webster County	General Revenue	318,431,737	0.2602	0.0000		327,010,960	0.2606	0.0000	0	
	Road & Bridge	318,431,737	0.1831	0.1831		327,010,960	0.1834	0.1831	598,757	
	Health	318,431,737	0.1349	0.1349		**	**	**		
	Senate Bill 40	318,431,737	0.0771	0.0771		327,010,960	0.0772	0.0772	252,452	
	Senior Services	318,431,737	0.0500	0.0500	A	327,010,960	0.0500	0.0500	163,505	
<u>Worth</u>										
Worth County Ambulance District	General Revenue	21,622,990	0.3000	0.1500		24,386,629	0.3000	0.1500	36,580	
Worth Co Convalescent Center Dist	General Revenue	21,622,990	0.3500	0.3500	A	24,386,629	0.3500	0.3500	85,353	
Platte River Tributaries Sub Dist	General Revenue	578,570	0.4000	0.4000		578,530	0.4000	0.4000	2,314	
East Fork of Grand River Watershed	General Revenue	2,610,616	0.2000	0.2000		2,614,743	0.2000	0.2000	5,229	
Village of Allendale	General Revenue	415,650	0.4000	0.4000		459,360	0.4000	0.4000	1,837	
	General Revenue-Temp	415,650	0.2000	0.2000		459,360	0.2000	0.2000	919	2009
Village of Denver	General Revenue	164,010	0.5000	0.5000		201,623	0.5000	0.5000	1,008	
City of Grant City	General Revenue	4,285,990	1.0000	1.0000		4,504,642	1.0000	1.0000	45,046	
	Health	4,285,990	0.1800	0.1800		4,504,642	0.1800	0.1800	8,108	
	Special Fund	4,285,990	0.3000	0.3000		4,504,642	0.3000	0.3000	13,514	
City of Sheridan	General Revenue	818,230	1.0000	1.0000		869,728	1.0000	1.0000	8,697	
Village of Worth	General Revenue	176,990	0.5000	0.5000		196,196	0.5000	0.5000	981	
Sheridan Fire Protection District	General Revenue	4,094,450	0.1837	0.1837		4,488,298	0.1714	0.1714	7,693	
Worth County Fire Protection Dist	General Revenue	16,311,620	0.2000	0.2000		18,349,352	0.1901	0.1901	34,882	
Worth Co R-III School District	Operating Funds-Schools	22,033,340	3.4968	3.4968	E	22,280,930	3.5124	3.5124	782,595	E
Worth County	General Revenue	21,622,990	0.5000	0.5000		24,386,629	0.5000	0.5000	121,933	
	Library	21,622,990	0.1000	0.1000		24,386,629	0.1000	0.1000	24,387	
	Road & Bridge	21,622,990	0.5000	0.5000		24,386,629	0.5000	0.5000	121,933	
	Special Road and Bridge	21,622,990	0.3300	0.3300		24,386,629	0.3300	0.3300	80,476	2009
	Senior Services	21,622,990	0.0500	0.0500		24,386,629	0.0500	0.0500	12,193	
	General Revenue-Temp	21,622,990	0.3500	0.3350	A	24,386,629	0.3500	0.3350	81,695	2010
<u>Wright</u>										
City of Hartville	General Revenue	4,170,458	0.4646	0.4646		4,112,684	0.4755	0.4755	19,556	
City of Mansfield	General Revenue	9,692,950	0.4447	0.4447		11,517,808	0.4447	0.4447	51,220	
	Streets	9,692,950	0.1353	0.1353		11,517,808	0.1353	0.1353	15,584	
	Cemetery	9,692,950	0.0921	0.0921		11,517,808	0.0921	0.0921	10,608	
City of Mountain Grove	General Revenue	42,028,941	0.4408	0.0000		**	**	**		
	Parks & Recreation	42,028,941	0.0588	0.0000		**	**	**		
City of Norwood	General Revenue	3,123,618	0.3707	0.3707		3,180,543	0.3707	0.3707	11,790	
	Water	3,123,618	0.5912	0.5912		3,180,543	0.5912	0.5912	18,803	
Wright County Library	General Revenue	153,745,371	0.1363	0.1363		158,424,274	0.1363	0.1363	215,932	
Wright County Health Department	General Revenue	**	**	**		158,424,274	0.0779	0.0779	123,413	
Norwood R-I School District	Operating Funds-Schools	14,336,554	3.1758	3.1758	E	14,617,204	3.1833	3.1833	465,309	E
Hartville R-II School District	Operating Funds-Schools	31,507,400	2.7500	2.7500	E	32,616,569	2.7500	2.7500	896,956	E
	Debt Service	31,507,400	0.5371	0.4800	E	32,616,569	0.5892	0.5363	174,923	E
Mountain Grove R-III School Dist	Operating Funds-Schools	78,723,253	2.7500	2.7500	E	83,336,348	2.7500	2.7500	2,291,750	E
Mansfield R-IV School District	Operating Funds-Schools	30,998,843	3.3164	3.3164	E	33,306,255	3.3520	3.3520	1,116,426	E
	Debt Service	30,998,843	0.7500	0.7300	E	33,306,255	0.4771	0.4771	158,904	E
Manes R-V School District	Operating Funds-Schools	4,543,218	3.3907	3.3907	E	4,608,421	3.4312	3.4312	158,124	E
Wright County	General Revenue	153,745,371	0.3018	0.0477		158,424,274	0.3019	0.0495	78,420	
	Health	153,745,371	0.0779	0.0779		**	**	**		
	Developmentally Disabled	153,745,371	0.0779	0.0779		158,424,274	0.0779	0.0779	123,413	

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	
<u>St. Louis City</u>									
St. Louis Public Libraries	General Revenue	4,382,963,005	0.4768	0.4768	4,459,650,470	0.4820	0.4938	22,021,754	c
Baden Market Centre Spec Bus Dist	General Revenue	1,876,200	0.7863	0.7863	1,887,800	0.7863	0.7863	14,844	
Cherokee Station Special Bus Dist	General Revenue	3,167,600	0.6092	0.6092	3,153,110	0.6120	0.6120	19,297	
St. Louis Downtown Business Dist	General Revenue	**	**	**	**	**	**		
Kingsway Center Special Bus Dist	General Revenue	2,255,750	0.6765	0.6765	2,313,650	0.6765	0.6765	15,652	
Locust Central Business District	General Revenue	45,032,580	0.7070	0.7070	46,142,270	0.7070	0.7070	326,226	
South Grand Square Spec Bus Dist	General Revenue	**	**	**	**	**	**		
Central West End South SBD	General Revenue	25,880,130	0.5404	0.5404	28,230,480	0.5404	0.5404	152,558	
Central West End North SBD	General Revenue	54,372,720	0.5341	0.5202	60,036,950	0.5341	0.5341	320,657	2009
Soulard Special Business District	General Revenue	57,346,620	0.4990	0.4990	58,496,422	0.4990	0.4990	291,897	
Waterman/Lake Special Business Dist	General Revenue	5,294,110	0.6818	0.6818	5,267,370	0.6853	0.6853	36,097	2014
Westminister/Lake Special Bus Dist	General Revenue	9,199,520	0.7407	0.7407	9,275,340	0.7407	0.7407	68,702	2014
Washington Place Special Bus Dist	General Revenue	5,294,270	0.6221	0.6221	5,553,580	0.6221	0.6221	34,549	2014
East Loop/Parkview Gardens SBD	General Revenue	5,450,980	0.4871	0.4871	5,076,220	0.5231	0.5231	26,554	
Cathedral Square Special Bus Dist	General Revenue	24,044,900	0.4043	0.4043	23,836,230	0.4078	0.4078	97,204	2008
Central West End Southeast SBD	General Revenue	18,700,560	0.4274	0.4274	19,008,780	0.4274	0.4274	81,244	2008
Cherokee-Lemp Special Business Dist	General Revenue	2,022,400	0.5637	0.5637	2,026,710	0.5637	0.5637	11,425	
Gardenside Special Business Dist	General Revenue	**	**	**	A 15,806,720	0.8500	0.4400	69,550	2011
St. Louis Community College	General Revenue	28,961,412,943	0.2003	0.2003	29,453,678,867	0.2013	0.2013	59,290,256	
St. Louis City School District	Operating Funds-Schools	4,305,654,066	3.1322	3.1322	E 4,382,525,034	3.1817	3.1817	139,438,799	E
	Debt Service	4,305,654,066	0.6211	0.6211	E 4,382,525,034	0.6211	0.6211	27,219,863	E
City of St. Louis	Parks & Recreation	4,096,948,677	0.0166	0.0166	4,178,341,915	0.0168	0.0168	701,961	
	Health	4,096,948,677	0.0166	0.0166	4,178,341,915	0.0168	0.0168	701,961	
	Hospital	4,096,948,677	0.0829	0.0829	4,178,341,915	0.0839	0.0839	3,505,629	
	Developmentally Disabled	4,382,963,005	0.1278	0.1278	4,459,650,470	0.1295	0.1295	5,775,247	
	Mental Health	4,382,963,005	0.0767	0.0767	4,459,650,470	0.0777	0.0777	3,465,148	
	Community Child Service	4,382,963,005	0.1752	0.1752	4,459,650,470	0.1775	0.1775	7,915,880	
	County Purposes	4,096,948,677	0.2903	0.2903	4,178,341,915	0.2940	0.2940	12,284,325	
	General Revenue No. 1	4,382,963,005	0.1362	0.1362	4,459,650,470	0.1380	0.1380	6,154,318	
	General Revenue No. 2	4,096,948,677	0.6697	0.6697	4,178,341,915	0.6781	0.6781	28,333,337	
	Debt Service	4,096,948,677	0.1550	0.1328	4,178,341,915	0.1013	0.0949	3,965,246	
Total Revenue								\$ 4,577,815,628	

LEGEND:

- ** Levy did not exist in the given year or was not certified due to insufficient substantiating data.
- A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy.
- B A voter approved increase to an existing levy.
- C Levy includes a recoupment rate authorized by state law.
- D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Results - Table 1.2 for 2008 levies and Report #2007-91 for 2007 levies.
- E School district has a full Proposition C (sales tax) waiver which allows the school district to reduce its required Proposition C reduction to \$0.0000 and levy up to its calculated tax rate ceiling.
- F School district has a partial Proposition C (sales tax) waiver which allows the school district to waive a portion of its required Proposition C reduction to the extent necessary to collect \$2.7500 or the amount stated on the ballot.
- G Levied a tax rate that was in excess of the legally permissible tax levy due to a dispute in ballot interpretation. A ballot was passed approving a rate equal to a fraction of a cent instead of one approved in whole cents. See Results - Table 1.2 for 2008 levies and Report #2007-91 for 2007 levies.
- H Article X, Section 11(g) of the Missouri Constitution allows the school board of the Kansas City 33 School District to set its tax levy at a rate that is lower than the court-ordered rate for the 1995 tax year (which was \$4.96). The rate so established may be changed from year to year by the school board of the district.

LISTING OF TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SINGLE TAX RATE ON ALL PROPERTY

Political Subdivision	Purpose	2007			2008				Expiration Year
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue	

NOTE:

Taxing authorities are listed by primary county and categorized by type of taxing authority. The counties are listed alphabetically (Adair through Wright followed by the City of St. Louis). When a taxing authority is in more than one county, it is listed under the primary county only.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

The revenue generated is computed by multiplying the tax rate levied by the assessed valuation and dividing by 100.

This Appendix does not list taxing authorities that levied a separate tax rate for each subclass of property. Previous legislation required taxing authorities wholly in St. Louis County and allowed the City of Gladstone in Clay County to calculate a separate tax rate on each subclass of property. Taxing authorities partially in St. Louis County, whether the primary county is St. Louis County or another county, are required to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions requiring the multi rate calculation. See Appendixes VIIIA and VIIIB for a listing of 2008 and 2007 taxing authorities that calculated separate tax rates for each subclass of property.

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Clay														
City of Gladstone	General Revenue	251,395,190	0.9290	0.9290	551,720	0.4360	0.4360	63,959,802	0.9290	0.9290	61,358,730	0.9290	0.9290	3,502,076
St. Louis														
City of Bella Villa	General Revenue	8,251,640	0.2080	0.0000	0	0.0000	0.0000	793,471	0.2400	0.0000	1,199,943	0.3030	0.0000	0
City of Bellefontaine Neighbors	General Revenue	72,668,060	0.1980	0.1500	260	0.2500	0.1500	7,943,020	0.2250	0.1500	15,650,893	0.2360	0.0000	120,917
Village of Bellerive Acres	General Revenue	3,862,630	0.5550	0.5550	0	0.0000	0.0000	218,620	0.5090	0.5090	593,010	0.7670	0.7670	27,099
Village of Bel Nor	General Revenue	19,656,320	0.4590	0.4590	0	0.0000	0.0000	407,650	0.4600	0.4600	2,781,886	0.5530	0.5530	107,482
	Debt Service	19,656,320	0.2490	0.2490	0	0.2490	0.2490	407,650	0.2490	0.2490	2,781,886	0.2490	0.2490	56,886
Village of Bel Ridge	General Revenue	10,936,130	0.3310	0.3310	0	0.0000	0.0000	4,790,690	0.3500	0.3500	0	0.0000	0.0000	52,966
	Debt Service	10,936,130	0.1730	0.1730	0	0.1730	0.1730	4,790,690	0.1730	0.1730	0	0.1730	0.1730	27,208
City of Berkeley	General Revenue	49,132,690	0.5480	0.5480	15,300	0.8110	0.8110	100,176,214	0.7890	0.7890	66,229,608	0.9200	0.9200	1,669,073
	Pension	49,132,690	0.0850	0.0850	15,300	0.1050	0.1050	100,176,214	0.1040	0.1040	66,229,608	0.1100	0.1100	218,815
	Debt Service	49,132,690	0.1090	0.1090	15,300	0.1090	0.1090	100,176,214	0.1090	0.1090	66,229,608	0.1090	0.1090	234,954
City of Beverly Hills	General Revenue	2,877,410	0.1790	0.1790	0	0.0000	0.0000	1,430,698	0.1890	0.1890	1,047,218	0.2320	0.2320	10,285
City of Black Jack	Debt Service	72,541,430	0.4980	0.4250	31,330	0.4980	0.4250	3,946,301	0.4980	0.4250	12,134,943	0.4980	0.4250	376,780
City of Breckenridge Hills	General Revenue	24,906,110	0.2530	0.2000	0	0.0000	0.0000	10,550,520	0.2560	0.2000	5,603,609	0.0000	0.0000	70,913
City of Brentwood	General Revenue	152,856,850	0.1550	0.0000	0	0.0000	0.0000	136,396,180	0.1410	0.1410	37,894,299	0.2070	0.2070	270,760
	Library	152,856,850	0.1340	0.1340	0	0.0000	0.0000	136,396,180	0.1210	0.1210	37,894,299	0.1790	0.1790	437,698
	Pension	152,856,850	0.3260	0.3260	0	0.0000	0.0000	136,396,180	0.3410	0.3410	37,894,299	0.3850	0.3850	1,109,317
	Debt Service	152,856,850	0.2990	0.1000	0	0.2990	0.1000	136,396,180	0.2990	0.1000	37,894,299	0.2990	0.1000	327,147
City of Bridgeton	General Revenue	122,066,530	0.2110	0.1600	115,260	0.2500	0.0000	286,872,536	0.2260	0.2260	0	0.0000	0.0000	843,638
Village of Calverton Park	General Revenue	10,592,200	0.2340	0.2150	0	0.0000	0.0000	494,575	0.2790	0.2150	1,790,270	0.2980	0.2150	27,685
City of Charlack	General Revenue	7,984,620	0.1960	0.1750	0	0.0000	0.0000	2,854,583	0.1960	0.1960	2,202,312	0.2570	0.2570	25,228
City of Clarkson Valley	General Revenue	104,602,540	0.1060	0.1060	7,130	0.1120	0.1120	6,011,640	0.1240	0.1240	11,047,023	0.1530	0.1530	135,243
City of Clayton	General Revenue	480,613,280	0.5670	0.5670	0	0.0000	0.0000	349,184,626	0.6370	0.6360	84,756,130	0.7070	0.7070	5,545,117
	Debt Service	480,613,280	0.1250	0.1220	0	0.1250	0.1220	349,184,626	0.1250	0.1220	84,756,130	0.1250	0.1220	1,115,755
City of Cool Valley	General Revenue	7,332,670	0.1680	0.1540	0	0.0000	0.0000	6,105,147	0.3500	0.3500	3,877,299	0.1650	0.1910	40,066
City of Country Club Hills	General Revenue	5,184,630	0.6160	0.6160	0	0.0000	0.0000	938,680	0.7480	0.7480	1,420,776	0.7330	0.7330	49,372
	Parks & Recreation	5,184,630	0.2860	0.2860	0	0.0000	0.0000	938,680	0.3130	0.3130	1,420,776	0.3380	0.3380	22,568
	Health	5,184,630	0.1640	0.1640	0	0.0000	0.0000	938,680	0.1590	0.1590	1,420,776	0.1900	0.1900	12,695
Village of Country Life Acres	General Revenue	7,381,150	0.3120	0.3120	0	0.0000	0.0000	69,006	0.4330	0.4330	573,968	0.4280	0.4280	25,785
City of Crestwood	General Revenue	190,092,960	0.2090	0.2090	150	0.0000	0.0000	77,008,110	0.3000	0.3000	32,121,930	0.2790	0.2790	717,938
	General Revenue-Temp	190,092,960	0.1690	0.1690	150	0.0000	0.0000	77,008,110	0.2000	0.2000	32,121,930	0.2000	0.2000	539,517

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
City of Creve Coeur	General Revenue	497,540,930	0.0770	0.0750	7,470	0.0940	0.0940	363,696,576	0.0750	0.0700	0	0.0000	0.0000	627,751
City of Crystal Lake Park	General Revenue	15,896,700	0.6120	0.6120	0	0.0000	0.0000	155,996	0.2960	0.2960	1,386,212	0.8080	0.8080	108,951
City of Dellwood	General Revenue	31,783,830	0.1710	0.1710	0	0.0000	0.0000	7,621,250	0.2220	0.2220	7,973,218	0.2350	0.2350	90,006
City of Des Peres	General Revenue	231,827,150	0.2410	0.0000	195,010	0.3220	0.0000	102,315,000	0.2010	0.0000	47,612,880	0.0000	0.0000	0
	Debt Service	231,827,150	0.8550	0.0000	195,010	0.8550	0.0000	102,315,000	0.8550	0.0000	47,612,880	0.8550	0.0000	0
City of Edmundson	General Revenue	4,689,340	0.5000	0.0000	0	0.0000	0.0000	23,023,650	0.4510	0.4510	7,316,440	0.0000	0.0000	103,837
City of Ellisville	General Revenue	156,721,200	0.3130	0.1500	1,150	0.5380	0.1500	98,425,130	0.3510	0.1500	34,837,920	0.4170	0.0000	382,722
City of Eureka	General Revenue	157,115,690	0.3850	0.3730	128,170	0.6500	0.3730	62,849,125	0.3630	0.3630	39,134,482	0.4910	0.3900	967,286
City of Ferguson	General Revenue	140,220,870	0.3470	0.3420	13,760	0.2610	0.2620	43,623,630	0.4340	0.4010	43,390,780	0.4500	0.4500	849,781
	Parks & Recreation	140,220,870	0.1450	0.1410	13,760	0.1090	0.1020	43,623,630	0.1870	0.1730	43,390,780	0.1980	0.1980	359,108
City of Flordell Hills	General Revenue	3,476,130	0.4380	0.4380	0	0.0000	0.0000	813,840	1.0000	1.0000	0	0.0000	0.0000	23,363
City of Florissant	General Revenue	455,783,240	0.0840	0.0000	40,240	0.1170	0.0000	134,072,973	0.1050	0.0000	94,352,644	0.1200	0.0000	0
City of Frontenac	General Revenue	185,623,330	0.4350	0.4350	0	0.0000	0.0000	42,497,380	0.5180	0.5180	20,198,120	0.5530	0.5530	1,139,293
Village of Glen Echo Park	General Revenue	1,345,420	0.4880	0.3870	0	0.0000	0.0000	28,294	0.5000	0.5000	239,176	0.5000	0.5000	6,544
City of Glendale	General Revenue	143,923,240	0.3810	0.3810	0	0.0000	0.0000	5,481,302	0.4230	0.4230	14,876,881	0.5190	0.5190	648,745
	Pension	143,923,240	0.0740	0.0740	0	0.0000	0.0000	5,481,302	0.0840	0.0840	14,876,881	0.1000	0.1000	125,984
Town of Grantwood Village	General Revenue	22,687,990	0.1990	0.1990	113,740	0.2030	0.2030	1,459,714	0.1410	0.1410	3,226,893	0.2610	0.2610	55,860
City of Greendale	General Revenue	5,808,330	0.4680	0.4680	0	0.0000	0.0000	271,740	0.4100	0.4100	0	0.0000	0.0000	28,297
Village of Hanley Hills	General Revenue	11,289,660	0.4420	0.3570	0	0.0000	0.0000	265,710	0.5000	0.5000	2,275,450	0.4500	0.4500	51,873
City of Hazelwood	General Revenue	232,563,670	0.6100	0.6210	215,310	0.7640	0.7640	215,858,980	0.8020	0.8720	127,554,462	0.7540	0.7540	4,289,916
	Debt Service	232,563,670	0.2430	0.2430	215,310	0.2430	0.2430	215,858,980	0.2430	0.2430	127,554,462	0.2430	0.2430	1,400,147
Village of Hillsdale	General Revenue	3,297,030	0.3930	0.3930	0	0.0000	0.0000	2,683,854	0.5000	0.5000	2,987,829	0.5000	0.5000	41,315
City of Huntleigh	General Revenue	37,420,460	0.2580	0.2320	11,820	0.1600	0.1970	347,290	0.3960	0.3460	2,339,480	0.3280	0.2690	94,333
City of Jennings	General Revenue	67,465,170	1.0000	1.0000	0	0.0000	0.0000	16,590,996	1.0000	1.0000	17,464,460	1.0000	1.0000	1,015,207
	Pension	67,465,170	0.1850	0.1850	0	0.0000	0.0000	16,590,996	0.1850	0.1850	17,464,460	0.1850	0.1850	187,813
City of Kinloch	General Revenue	924,100	1.0000	1.0000	0	0.0000	0.0000	832,310	1.0000	1.0000	694,528	1.0000	1.0000	24,509
City of Kirkwood	General Revenue	565,713,620	0.3400	0.2760	0	0.0000	0.0000	111,436,360	0.3400	0.2760	78,626,300	0.3400	0.2760	2,085,943
	Parks & Recreation	565,713,620	0.1490	0.1300	0	0.0000	0.0000	111,436,360	0.1600	0.1300	78,626,300	0.2000	0.1300	982,509
	Library	559,098,280	0.1660	0.1660	0	0.0000	0.0000	93,770,560	0.1870	0.1870	76,411,460	0.2350	0.2350	1,283,021
	Pension	565,713,620	0.1300	0.1190	0	0.0000	0.0000	111,436,360	0.1490	0.1390	78,626,300	0.1800	0.1720	963,333
	Library-Temp	559,098,280	0.1200	0.1200	0	0.1200	0.1200	93,770,560	0.1200	0.1200	76,411,460	0.1200	0.1200	875,137
	Debt Service	565,713,620	0.1200	0.1200	0	0.1200	0.1200	111,436,360	0.1200	0.1200	78,626,300	0.1200	0.1200	906,932
	General Revenue	573,633,960	0.6430	0.6430	2,490	0.8840	0.8840	47,779,726	0.6600	0.6600	47,450,844	0.7560	0.7560	4,362,562
City of Ladue	General Revenue	14,414,620	0.0760	0.0760	0	0.0000	0.0000	188,832	0.0380	0.0380	0	0.0000	0.0000	11,027
Village of Mackenzie	General Revenue	1,728,940	0.1420	0.1420	0	0.0000	0.0000	50,437	0.1730	0.1730	242,101	0.1850	0.1850	2,990
City of Manchester	General Revenue	267,493,740	0.2930	0.0500	0	0.0000	0.0000	52,474,460	0.2680	0.0500	43,706,319	0.3850	0.0500	181,837

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
City of Manchester	Debt Service	267,493,740	0.1930	0.1930	0	0.1930	0.1930	52,474,460	0.1930	0.1930	43,706,319	0.1930	0.1930	701,892
City of Maplewood	General Revenue	83,263,620	0.3170	0.3170	0	0.0000	0.0000	53,611,155	0.4990	0.4990	22,126,509	0.5670	0.5670	656,923
	Pension	83,263,620	0.3920	0.3920	0	0.0000	0.0000	53,611,155	0.4470	0.4470	22,126,509	0.4450	0.4450	664,498
	Solid Waste	83,263,620	0.1420	0.1420	0	0.0000	0.0000	53,611,155	0.1740	0.1740	22,126,509	0.2180	0.2180	259,753
	General Revenue	14,126,140	0.0990	0.0990	0	0.0000	0.0000	8,325,742	0.0950	0.0950	5,197,771	0.1110	0.1110	27,664
City of Normandy	General Revenue	21,919,390	0.3380	0.3380	0	0.0000	0.0000	3,654,070	0.3580	0.3580	5,189,520	0.4000	0.4000	107,928
City of Northwoods	General Revenue	23,735,023	0.3500	0.3500	0	0.0000	0.0000	3,488,280	0.2090	0.2090	5,524,560	0.4150	0.3600	110,252
	Debt Service	23,735,023	0.7010	0.7000	0	0.7010	0.7000	3,488,280	0.7010	0.7000	5,524,560	0.7010	0.7000	229,235
Village of Norwood Court	General Revenue	3,841,980	0.2780	0.0000	0	0.0000	0.0000	204,660	0.2920	0.0000	858,234	0.3450	0.0000	0
City of Oakland	General Revenue	25,333,620	0.1750	0.1750	0	0.0000	0.0000	2,527,881	0.2670	0.2420	3,239,617	0.2370	0.2370	58,129
City of Olivette	General Revenue	159,385,480	0.5730	0.5730	0	0.0000	0.0000	62,311,930	0.6230	0.6230	30,561,584	0.7710	0.7710	1,537,112
	Pension	159,385,480	0.2060	0.2060	0	0.0000	0.0000	62,311,930	0.2130	0.2130	30,561,584	0.2500	0.2500	537,462
City of Overland	General Revenue	126,001,270	0.0680	0.0680	0	0.0000	0.0000	89,642,174	0.0890	0.0890	42,630,949	0.0970	0.0970	206,815
	Pension	126,001,270	0.1020	0.1020	0	0.0000	0.0000	89,642,174	0.1350	0.1350	42,630,949	0.1460	0.1460	311,779
City of Pagedale	General Revenue	13,148,230	0.2070	0.2070	0	0.0000	0.0000	12,257,250	0.2610	0.2610	7,953,438	0.3500	0.3500	87,045
City of Pasadena Hills	General Revenue	13,363,100	0.2230	0.2230	0	0.0000	0.0000	82,810	0.2400	0.2400	1,794,460	0.3100	0.3100	35,562
	Debt Service	13,363,100	0.9650	0.9650	0	0.9650	0.9650	82,810	0.9650	0.9650	1,794,460	0.9650	0.9650	147,070
Village of Pasadena Park	General Revenue	4,918,799	0.2350	0.2350	0	0.0000	0.0000	25,410	0.2440	0.2440	719,779	0.3090	0.3090	13,845
City of Pine Lawn	General Revenue	11,788,830	0.2590	0.2590	0	0.0000	0.0000	3,462,653	0.2520	0.2520	3,274,146	0.2580	0.2580	47,706
City of Richmond Heights	General Revenue	193,283,670	0.4490	0.2980	0	0.0000	0.0000	121,506,114	0.5910	0.2980	32,989,224	0.6150	0.2980	1,036,381
	Library	193,283,670	0.1530	0.1530	0	0.0000	0.0000	121,506,114	0.2040	0.2040	32,989,224	0.2120	0.2120	613,533
	Pension	193,283,670	0.2600	0.2600	0	0.0000	0.0000	121,506,114	0.3410	0.3200	32,989,224	0.3560	0.3200	996,924
Village of Riverview	General Revenue	14,286,140	0.2690	0.2690	0	0.0000	0.0000	1,979,837	0.2980	0.2980	2,714,551	0.3120	0.3120	52,799
City of Rock Hill	General Revenue	66,751,140	0.2350	0.2350	0	0.0000	0.0000	28,778,318	0.2420	0.2420	12,545,030	0.3480	0.3480	270,166
	Library	66,751,140	0.2390	0.2390	0	0.0000	0.0000	28,778,318	0.2480	0.2480	12,575,020	0.3550	0.3550	275,546
	Debt Service	66,751,140	0.3290	0.3290	0	0.3290	0.3290	28,778,318	0.3290	0.3290	12,545,030	0.3290	0.3290	355,565
City of St. Ann	General Revenue	98,736,260	0.1400	0.1400	0	0.0000	0.0000	43,437,271	0.1900	0.1900	21,943,580	0.1930	0.0000	220,762
City of St. George	General Revenue	15,134,360	0.0910	0.0910	0	0.0000	0.0000	374,973	0.1180	0.1180	2,112,263	0.1390	0.1390	17,150
City of St. John	General Revenue	47,740,290	0.2710	0.2710	0	0.0000	0.0000	7,944,258	0.4580	0.4580	11,965,360	0.4500	0.4500	219,605
City of Shrewsbury	General Revenue	81,565,520	0.3460	0.3540 ^C	0	0.0000	0.0000	32,547,345	0.3410	0.3420 ^C	16,823,607	0.4370	0.4370	473,573
	Debt Service	81,565,520	0.5880	0.5880	0	0.5880	0.5880	32,547,345	0.5880	0.5880	16,823,607	0.5880	0.5880	769,906
City of Sunset Hills	General Revenue	233,061,960	0.0690	0.0540	185,310	0.1000	0.0600	107,195,310	0.0770	0.0570	46,303,083	0.0900	0.0600	214,847
Village of Sycamore Hills	General Revenue	6,108,480	0.1670	0.1670	0	0.0000	0.0000	489,951	0.2400	0.2400	1,147,787	0.2530	0.2530	14,281
	Health	6,108,480	0.0770	0.0770	0	0.0000	0.0000	489,951	0.1110	0.1110	1,147,787	0.1180	0.1180	6,602
City of Town and Country	General Revenue	478,348,870	0.4680	0.0000	43,820	0.9000	0.0000	208,958,056	0.5510	0.0000	77,549,519	0.5790	0.0000	0
	Dispatch	478,348,870	0.0250	0.0000	43,820	0.0300	0.0000	208,958,056	0.0290	0.0000	77,549,519	0.0300	0.0000	0

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

		Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property					
Political Subdivision	Purpose	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Revenue		
Village of Twin Oaks	General Revenue	5,830,650	0.3560	0.0000	0	0.0000	0.0000	6,840,593	0.3570	0.0000	2,558,930	0.0000	0.0000	0		
City of University City	General Revenue	508,354,080	0.5130	0.5130	0	0.0000	0.0000	50,368,350	0.5950	0.5950	63,234,730	0.6910	0.6910	3,344,500		
	Library	508,354,080	0.2230	0.2230	0	0.0000	0.0000	50,368,350	0.2620	0.2620	63,234,730	0.3010	0.3010	1,455,932		
	Pension	508,354,080	0.1440	0.1440	0	0.0000	0.0000	50,520,260	0.1700	0.1700	63,234,730	0.1950	0.1950	941,222		
	Debt Service	508,354,080	0.0420	0.0420	0	0.0420	0.0420	50,520,260	0.0420	0.0420	63,234,730	0.0420	0.0420	261,287		
Village of Uplands Park	General Revenue	2,575,590	0.2930	0.2930	0	0.0000	0.0000	63,758	0.4220	0.4220	546,301	0.3910	0.3910	9,951		
City of Valley Park	General Revenue	67,458,310	0.5130	0.4800	6,630	0.0000	0.0000	14,697,900	0.7970	0.7490	16,448,040	0.6850	0.5700	527,641		
City of Velda City	General Revenue	6,935,388	0.2970	0.2970	0	0.0000	0.0000	128,560	0.5000	0.5000	1,355,792	0.3820	0.3820	26,420		
	Debt Service	6,935,388	0.9800	0.9800	0	0.9800	0.9800	128,560	0.9800	0.9800	1,355,792	0.9800	0.9800	82,514		
Village of Velda Village Hills	General Revenue	5,390,570	0.2820	0.3200	D	0	0.0000	0.0000	246,012	0.3560	0.4900	D	1,150,267	0.3780	0.3780	22,803
City of Vinita Park	General Revenue	9,086,730	0.1860	0.1860	0	0.0000	0.0000	31,477,510	0.2090	0.2090	7,804,010	0.2300	0.2300	100,638		
	Debt Service	9,086,730	0.2360	0.2360	0	0.2360	0.2360	31,477,510	0.2360	0.2360	7,804,010	0.2360	0.2360	114,149		
Village of Vinita Terrace	General Revenue	1,885,450	0.0330	0.0330	0	0.0000	0.0000	902,520	0.0400	0.0400	0	0.0000	0.0000	983		
	Health	1,885,450	0.0960	0.0960	0	0.0000	0.0000	902,520	0.1470	0.1470	0	0.0000	0.0000	3,137		
City of Warson Woods	General Revenue	55,966,220	0.3340	0.3340	0	0.0000	0.0000	8,271,734	0.3750	0.3750	6,553,052	0.4470	0.0000	217,946		
City of Webster Groves	General Revenue	430,401,300	0.2110	0.2110	0	0.0000	0.0000	53,536,636	0.2170	0.2170	53,558,816	0.2800	0.2800	1,174,287		
	Library	430,401,300	0.1350	0.1350	0	0.0000	0.0000	53,536,636	0.1380	0.1380	55,096,316	0.1800	0.1800	754,096		
	Streets	430,401,300	0.1360	0.1360	0	0.0000	0.0000	53,536,636	0.1400	0.1400	53,558,816	0.1810	0.1810	757,238		
	Pension	430,401,300	0.1090	0.1090	0	0.0000	0.0000	53,536,636	0.1120	0.1120	53,558,816	0.1450	0.1450	606,758		
	Debt Service	430,401,300	0.3780	0.3780	0	0.3780	0.3780	53,536,636	0.3780	0.3780	53,558,816	0.3780	0.3780	2,031,737		
City of Wellston	General Revenue	3,935,060	0.6000	0.5610	0	0.0000	0.0000	8,883,066	0.5680	0.4800	4,650,178	0.6000	0.6000	92,616		
Village of Westwood	General Revenue	18,975,850	0.0550	0.0550	0	0.0000	0.0000	230,760	0.1000	0.1000	0	0.0000	0.0000	10,668		
City of Winchester	General Revenue	16,939,380	0.1620	0.1620	0	0.0000	0.0000	3,008,138	0.1730	0.1730	2,942,404	0.2610	0.2610	40,326		
City of Woodson Terrace	General Revenue	27,304,040	0.1770	0.1770	0	0.0000	0.0000	20,400,871	0.2280	0.2280	29,298,930	0.2510	0.2510	168,382		
City of Chesterfield	Debt Service	0	0.0570	0.0300	0	0.0570	0.0300	0	0.0570	0.0300	0	0.0570	0.0300	0		
Ferguson Municipal Pub Library Dist	General Revenue	140,220,870	0.1670	0.1670	13,760	0.0000	0.0000	48,091,933	0.1960	0.1960	45,432,711	0.2200	0.2200	428,381		
Maplewood Public Library	General Revenue	83,813,240	0.2140	0.2140	0	0.0000	0.0000	53,611,155	0.2480	0.2480	26,363,909	0.3020	0.3020	391,935		
	Debt Service	83,813,240	0.1680	0.1680	0	0.1680	0.1680	53,611,155	0.1680	0.1680	26,363,909	0.1680	0.1680	275,164		
St. Louis County Library	General Revenue	12,874,672,860	0.1440	0.1400	6,834,080	0.2000	0.1500	5,235,208,758	0.1680	0.1680	3,416,820,586	0.1850	0.1500	31,955,175		
Valley Park Community Library	General Revenue	29,556,680	0.1330	0.1330	1,040	0.1700	0.1700	8,641,680	0.0930	0.0930	13,951,664	0.1700	0.1700	71,067		
Affton Fire Protection District	General Revenue	418,551,390	0.6010	0.6010	850	0.7060	0.7060	63,441,692	0.6940	0.6940	76,730,573	0.7940	0.7940	3,565,026		
	Ambulance	418,551,390	0.1370	0.1370	850	0.1180	0.1180	63,441,692	0.1670	0.1670	76,730,573	0.1820	0.1820	819,014		
	Pension	418,551,390	0.0480	0.0480	850	0.0700	0.0700	63,441,692	0.0580	0.0580	76,730,573	0.0640	0.0640	286,810		
	Dispatch	418,551,390	0.0210	0.0210	850	0.0000	0.0000	63,441,692	0.0250	0.0250	76,730,573	0.0270	0.0270	124,473		
Metro West Fire Protection District	General Revenue	1,459,805,570	0.4260	0.4260	1,043,380	0.6500	0.6500	221,637,860	0.4920	0.4920	219,217,495	0.5610	0.5610	8,545,822		
	Ambulance	1,459,805,570	0.2210	0.2210	1,043,380	0.3000	0.3000	221,637,860	0.2440	0.2440	219,217,495	0.2900	0.2900	4,405,827		

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Metro West Fire Protection District	Pension	1,459,805,570	0.0810	0.0810	1,043,380	0.1100	0.1100	221,637,860	0.0900	0.0900	219,217,495	0.1060	0.1060	1,615,436
	Dispatch	1,459,805,570	0.0380	0.0380	1,043,380	0.0480	0.0480	221,637,860	0.0410	0.0410	219,217,495	0.0480	0.0480	751,323
	Debt Service	1,459,805,570	0.0550	0.0550	1,043,380	0.0550	0.0550	221,637,860	0.0550	0.0550	219,217,495	0.0550	0.0550	1,045,938
Black Jack Fire Protection District	General Revenue	530,899,440	0.7610	0.7610	209,160	0.8600	0.8600	59,031,158	0.9890	0.9890	94,956,185	1.0000	1.0000	5,575,324
	Pension	530,899,440	0.0760	0.0760	209,160	0.0860	0.0860	59,031,158	0.0990	0.0990	94,956,185	0.1000	0.1000	557,061
	NCCFA System	530,899,440	0.0380	0.0380	209,160	0.0430	0.0430	59,031,158	0.0480	0.0480	94,956,185	0.0500	0.0500	277,645
	Debt Service	530,899,440	0.1770	0.1770	209,160	0.1770	0.1770	59,031,158	0.1770	0.1770	94,956,185	0.1770	0.1770	1,212,619
Monarch Fire Protection District	General Revenue	1,523,388,670	0.3990	0.3900	2,189,300	0.5300	0.7000	518,807,859	0.5300	0.5420	336,668,853	0.5300	0.5490	10,616,792
	Ambulance	1,523,388,670	0.2520	0.2520	2,189,300	0.3300	0.3300	518,807,859	0.2940	0.2940	336,668,853	0.3300	0.3300	6,482,466
	Pension	1,523,388,670	0.0770	0.0760	2,189,300	0.1000	0.1000	518,807,859	0.0890	0.0890	336,668,853	0.1000	0.1000	1,958,372
	Dispatch	1,523,388,670	0.0400	0.0400	2,189,300	0.0480	0.0500	518,807,859	0.0450	0.0450	336,668,853	0.0480	0.0500	1,012,248
	Debt Service	1,523,388,670	0.0380	0.0300	2,189,300	0.0380	0.0300	518,807,859	0.0380	0.0300	336,668,853	0.0380	0.0300	714,317
Community Fire Protection District	General Revenue	322,038,460	0.7540	0.7540	0	0.0000	0.0000	180,758,912	0.9130	0.9130	131,030,908	1.0000	1.0000	5,388,808
	Ambulance	322,038,460	0.4080	0.4080	0	0.0000	0.0000	180,758,912	0.4570	0.4570	131,030,908	0.5000	0.5000	2,795,140
	Pension	322,038,460	0.0770	0.0770	0	0.0000	0.0000	180,758,912	0.0880	0.0880	131,030,908	0.1000	0.1000	538,069
	Dispatch	322,038,460	0.0240	0.0240	0	0.0000	0.0000	180,758,912	0.0260	0.0260	131,030,908	0.0300	0.0300	163,595
	Debt Service	322,038,460	0.1410	0.1410	0	0.1410	0.1410	180,758,912	0.1410	0.1410	131,030,908	0.1410	0.1410	893,698
Creve Coeur Fire Protection Dist	General Revenue	738,430,020	0.4820	0.4820	10,530	0.2750	0.2750	470,918,690	0.5200	0.5200	232,270,903	0.6260	0.6260	7,462,055
	Ambulance	738,430,020	0.1710	0.1710	10,530	0.0950	0.0950	470,918,690	0.1850	0.1850	232,270,903	0.2220	0.2220	2,649,566
	Pension	738,430,020	0.1160	0.1160	10,530	0.0570	0.0570	470,918,690	0.1270	0.1270	232,270,903	0.1500	0.1500	1,803,058
	Dispatch	738,430,020	0.0390	0.0390	10,530	0.0190	0.0190	470,918,690	0.0420	0.0420	232,270,903	0.0500	0.0500	601,911
Fenton Fire Protection District	General Revenue	464,257,260	0.3870	0.3110	142,660	0.6500	0.6500	318,343,071	0.4650	0.4650	280,081,558	0.5140	0.5140	4,364,681
	Ambulance	464,257,260	0.2520	0.1790	142,660	0.3000	0.3000	318,343,071	0.2740	0.2740	280,081,558	0.3000	0.3000	2,543,953
	Pension	464,257,260	0.0830	0.0830	142,660	0.1000	0.1000	318,343,071	0.0930	0.0930	280,081,558	0.1000	0.1000	961,618
	Dispatch	464,257,260	0.0420	0.0320	142,660	0.0500	0.0500	318,343,071	0.0460	0.0460	280,081,558	0.0500	0.0500	435,112
Florissant Valley Fire Prot Dist	General Revenue	666,579,280	0.5020	0.5020	190,060	0.7500	0.7500	156,209,717	0.6570	0.6570	133,846,711	0.7170	0.7170	5,333,632
	Ambulance	666,579,280	0.3190	0.3190	190,060	0.4400	0.4400	156,209,717	0.4050	0.4050	133,846,711	0.4400	0.4400	3,348,799
	Pension	666,579,280	0.0730	0.0730	190,060	0.1000	0.1000	156,209,717	0.0930	0.0930	133,846,711	0.1000	0.1000	765,915
	Dispatch	666,579,280	0.0360	0.0360	190,060	0.0500	0.0500	156,209,717	0.0450	0.0450	133,846,711	0.0500	0.0500	377,281
	Debt Service	666,579,280	0.1260	0.1260	190,060	0.1260	0.1260	156,209,717	0.1260	0.1260	133,846,711	0.1260	0.1260	1,205,600
Kinloch Fire Protection District	General Revenue	1,136,680	0.9000	0.8560	0	0.0000	0.0000	835,470	0.9000	0.9000	851,634	0.9000	0.9000	24,914
	Dispatch	1,136,680	0.0300	0.0000	0	0.0000	0.0000	835,470	0.0300	0.0000	851,634	0.0300	0.0000	0
Lemay Fire Protection District	General Revenue	144,928,477	0.7220	0.7220	180	0.9900	0.9900	27,043,310	0.8220	0.8220	35,226,099	0.9900	0.9900	1,617,420
	Ambulance	144,928,477	0.1610	0.1610	180	0.3000	0.3000	27,043,310	0.2010	0.2010	35,226,099	0.2500	0.2500	375,758
	Pension	144,928,477	0.0730	0.0730	180	0.0000	0.0000	27,043,310	0.0830	0.0830	35,226,099	0.1000	0.1000	163,470
	Central Alarm Fund	144,928,477	0.0360	0.0360	180	0.0000	0.0000	27,043,310	0.0420	0.0420	35,226,099	0.0500	0.0500	81,145

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
West County EMS & Fire Prot Dist	General Revenue	561,838,920	0.3590	0.3590	339,350	0.3930	0.3930	132,942,786	0.3620	0.3620	98,548,001	0.4570	0.4570	2,949,953
	Ambulance	561,838,920	0.1530	0.1530	339,350	0.1660	0.1660	132,942,786	0.1530	0.1530	98,548,001	0.1940	0.1940	1,254,762
	Pension	561,838,920	0.0760	0.0760	339,350	0.0830	0.0830	132,942,786	0.0770	0.0770	98,548,001	0.0970	0.0970	625,238
	Dispatch	561,838,920	0.0390	0.0390	339,350	0.0420	0.0420	132,942,786	0.0390	0.0390	98,548,001	0.0490	0.0490	319,397
	Debt Service	561,838,920	0.0990	0.0990	339,350	0.0990	0.0990	132,942,786	0.0990	0.0990	98,548,001	0.0990	0.0990	785,733
Maryland Heights Fire Prot Dist	General Revenue	258,386,900	0.6420	0.6420	7,340	0.6680	0.6680	285,316,515	0.7360	0.7360	156,470,607	0.8000	0.8000	5,010,588
	Ambulance	258,386,900	0.3110	0.3110	7,340	0.3950	0.3950	285,316,515	0.3460	0.3460	156,470,607	0.3680	0.3680	2,366,619
	Pension	258,386,900	0.1040	0.1040	7,340	0.0950	0.0950	285,316,515	0.1200	0.1200	156,470,607	0.1300	0.1300	814,521
	Dispatch	258,386,900	0.0410	0.0410	7,340	0.0410	0.0410	285,316,515	0.0460	0.0460	156,470,607	0.0500	0.0500	315,423
Mehlville Fire Protection District	General Revenue	1,731,048,290	0.7100	0.3610	675,040	1.0800	0.7300	460,159,343	0.8210	0.4710	338,431,857	0.8970	0.5470	10,272,585
	Ambulance	1,731,048,290	0.1730	0.1000	675,040	0.3000	0.2200	460,159,343	0.1780	0.0960	338,431,857	0.2220	0.1220	2,587,173
	Pension	1,731,529,250	0.0750	0.0250	676,470	0.1000	0.0550	465,599,078	0.0770	0.0320	338,317,840	0.0960	0.0510	754,788
	Alarm Fund	1,731,048,290	0.0370	0.0250	675,040	0.0500	0.0200	460,159,343	0.0400	0.0260	338,431,857	0.0480	0.0220	626,993
Metro-North Fire Protection Dist	General Revenue	97,944,250	1.6098	1.6098	0	0.0000	0.0000	18,091,486	1.5399	1.5399	21,736,192	1.7410	1.7410	2,233,725
	Pension	97,944,250	0.2060	0.2060	0	0.0000	0.0000	18,091,486	0.2160	0.2160	21,736,192	0.2490	0.2490	294,966
	Dispatch	97,944,250	0.0250	0.0250	0	0.0000	0.0000	18,091,486	0.0230	0.0230	21,736,192	0.0300	0.0300	35,168
	Debt Service	97,944,250	0.2940	0.2940	0	0.2940	0.2940	18,091,486	0.2940	0.2940	21,736,192	0.2940	0.2940	405,049
Northeast Ambulance & FPD	General Revenue	153,615,160	1.2877	1.5000	^D 16,560	1.3427	1.5000	^D 27,886,752	1.5078	1.5000	37,080,895	1.5000	1.5000	3,278,989
	Ambulance	153,615,160	0.2620	0.3000	^D 16,560	0.2700	0.3000	^D 27,886,752	0.2900	0.3000	^D 37,080,895	0.2900	0.3000	^D 655,798
	Pension	153,615,160	0.0860	0.1000	^D 16,560	0.0840	0.0900	^D 27,886,752	0.1000	0.1000	37,080,895	0.1000	0.1000	218,598
	Dispatch	153,615,160	0.0430	0.0500	^D 16,560	0.0420	0.0460	^D 27,886,752	0.0500	0.0500	37,080,895	0.0500	0.0500	109,299
Pattonville Fire Protection Dist	General Revenue	148,167,990	0.7990	0.7990	368,260	0.9780	0.9780	499,365,993	0.9040	0.9040	179,222,643	0.9830	0.9830	7,463,492
	Ambulance	148,167,990	0.1960	0.1960	368,260	0.2490	0.2490	499,365,993	0.2310	0.2310	179,222,643	0.2500	0.2500	1,892,918
	Pension	148,167,990	0.1200	0.1200	368,260	0.1490	0.1490	499,365,993	0.1390	0.1390	179,222,643	0.1500	0.1500	1,141,304
	Dispatch	148,167,990	0.0390	0.0390	368,260	0.0500	0.0500	499,365,993	0.0470	0.0470	179,222,643	0.0500	0.0500	382,283
	Debt Service	148,167,990	0.0730	0.0730	368,260	0.0730	0.0730	499,365,993	0.0730	0.0730	179,222,643	0.0730	0.0730	603,802
Riverview Fire Protection District	General Revenue	115,201,040	1.2047	1.2047	2,590	1.4612	1.4612	18,105,184	1.4182	1.4182	25,385,380	1.4544	1.4544	2,013,838
	Pension	115,201,040	0.2070	0.2070	2,590	0.2320	0.2320	18,105,184	0.2440	0.2440	25,385,380	0.2500	0.2500	346,112
	Dispatch	115,201,040	0.0410	0.0400	2,590	0.0390	0.0390	18,105,184	0.0490	0.0400	25,385,380	0.0500	0.0400	63,477
	Debt Service	115,201,040	0.0830	0.0830	2,590	0.0830	0.0830	18,105,184	0.0830	0.0830	25,385,380	0.0830	0.0830	131,716
Robertson Fire Protection District	General Revenue	47,187,710	0.8900	0.8900	236,160	0.8900	0.8900	193,517,253	0.8900	0.8900	109,344,066	0.8900	0.8900	3,117,539
	Ambulance	47,187,710	0.6630	0.6630	^B 236,160	0.7000	0.7000	^B 193,517,253	0.6980	0.6980	^B 109,344,066	0.7000	0.7000	^B 2,430,666
	Pension	47,187,710	0.2000	0.2000	236,160	0.2000	0.2000	193,517,253	0.2000	0.2000	109,344,066	0.2000	0.2000	700,570
	Dispatch	47,187,710	0.0500	0.0500	236,160	0.0500	0.0500	193,517,253	0.0500	0.0500	109,344,066	0.0500	0.0500	175,143
	Debt Service	47,187,710	0.2090	0.2090	236,160	0.2090	0.2090	193,517,253	0.2090	0.2090	109,344,066	0.2090	0.2090	732,096
Spanish Lake Fire Protection Dist	General Revenue	148,560,900	1.0599	1.0599	106,250	1.2402	1.2402	27,843,914	1.0991	1.0991	29,241,246	1.2500	1.2500	2,247,463

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Spanish Lake Fire Protection Dist	Pension	148,560,900	0.1270	0.1270	106,250	0.1500	0.1500	27,843,914	0.1320	0.1320	29,241,246	0.1500	0.1500	269,447
	Dispatch	148,560,900	0.0430	0.0430	106,250	0.0500	0.0500	27,843,914	0.0440	0.0440	29,241,246	0.0500	0.0500	90,806
	Debt Service	148,560,900	0.1990	0.1990	106,250	0.1990	0.1990	27,843,914	0.1990	0.1990	29,241,246	0.1990	0.1990	409,446
Valley Park Fire Protection Dist	General Revenue	155,153,850	0.6800	0.6800	159,750	0.6580	0.6580	45,282,325	0.7190	0.7190	48,918,396	0.8800	0.8800	1,812,159
	Ambulance	155,153,850	0.2320	0.2320	159,750	0.2250	0.2250	45,282,325	0.2440	0.2440	49,918,396	0.3000	0.3000	620,560
	Pension	155,153,850	0.0780	0.0780	159,750	0.0750	0.0750	45,282,325	0.0810	0.0810	49,918,396	0.1000	0.1000	207,737
	Dispatch	155,153,850	0.0230	0.0230	159,750	0.0220	0.0220	45,282,325	0.0240	0.0240	49,918,396	0.0300	0.0300	61,564
Mid-County Fire Protection District	General Revenue	49,579,280	1.5525	1.5525	0	0.0000	0.0000	58,217,014	1.6393	1.6393	38,760,565	1.8500	1.8500	2,441,140
	Ambulance	49,579,280	0.1240	0.1240	0	0.0000	0.0000	58,217,014	0.1360	0.1360	38,760,565	0.1500	0.1500	198,794
	Pension	49,579,280	0.2240	0.2240	0	0.0000	0.0000	58,217,014	0.2270	0.2270	38,760,565	0.2500	0.2500	340,112
	Dispatch	49,579,280	0.0240	0.0240	0	0.0000	0.0000	58,217,014	0.0280	0.0280	38,760,565	0.0300	0.0300	39,828
	Debt Service	49,579,280	0.2110	0.2110	0	0.2110	0.2110	58,217,014	0.2110	0.2110	38,760,565	0.2110	0.2110	309,235
West Overland Fire Protection Dist	General Revenue	62,251,690	0.6070	0.6070	0	0.0000	0.0000	95,959,661	0.6310	0.6310	33,492,568	0.7100	0.7100	1,221,170
	Ambulance	62,251,690	0.5380	0.5380	0	0.0000	0.0000	95,959,661	0.5610	0.5610	33,492,568	0.6500	0.6500	1,090,950
	Pension	62,251,690	0.1280	0.1280	0	0.0000	0.0000	95,959,661	0.1330	0.1330	33,492,568	0.1500	0.1500	257,547
	Dispatch	62,251,690	0.0430	0.0430	0	0.0000	0.0000	95,959,661	0.0440	0.0440	33,492,568	0.0500	0.0500	85,736
	Debt Service	62,251,690	0.1490	0.1400	0	0.1490	0.1400	95,959,661	0.1490	0.1400	33,492,568	0.1490	0.1400	268,386
Black Creek Sewer	General Revenue	816,752,110	0.0770	0.0000	0	0.0000	0.0000	565,044,065	0.0920	0.0000	161,982,975	0.0950	0.0000	0
Black Jack-Dellwood Sewer	General Revenue	172,104,290	0.0790	0.0000	11,440	0.0440	0.0000	62,084,351	0.0890	0.0000	43,031,108	0.0980	0.0000	0
Clayton Central Sewer	General Revenue	56,723,100	0.0770	0.0000	0	0.0000	0.0000	295,238,094	0.0840	0.0000	42,516,141	0.0900	0.0000	0
Coldwater Creek Sewer	General Revenue	1,239,595,980	0.0810	0.0000	63,070	0.0820	0.0000	535,635,678	0.0960	0.0000	509,687,923	0.1000	0.0000	0
Creve Coeur-Frontenac Sewer	General Revenue	354,291,990	0.0640	0.0000	0	0.0000	0.0000	208,311,829	0.0610	0.0000	86,987,511	0.0760	0.0000	0
Deer Creek Sewer	General Revenue	2,719,921,710	0.0740	0.0000	205,480	0.0830	0.0000	1,003,112,679	0.0840	0.0000	451,061,209	0.0930	0.0000	0
Fountain Creek Sewer	General Revenue	114,922,420	0.1030	0.0000	0	0.0000	0.0000	22,062,233	0.1420	0.0000	22,010,674	0.1400	0.0000	0
Gravois Creek Sewer	General Revenue	1,127,615,700	0.0670	0.0000	313,810	0.1000	0.0000	467,737,029	0.0720	0.0000	239,560,921	0.0860	0.0000	0
Loretta-Joplin Sewer	General Revenue	23,463,460	0.0650	0.0000	0	0.0000	0.0000	2,083,780	0.0740	0.0000	4,912,317	0.0900	0.0000	0
Maline Creek Sewer	General Revenue	445,092,860	0.0810	0.0000	50,180	0.0810	0.0000	141,326,258	0.1000	0.0000	141,897,958	0.1000	0.0000	0
Marlborough Sewer	General Revenue	48,441,530	0.0470	0.0000	0	0.0000	0.0000	13,162,053	0.0510	0.0000	8,437,100	0.0580	0.0000	0
Meramec River Basin Sewer	General Revenue	2,255,862,050	0.0800	0.0000	938,240	0.1000	0.0000	722,045,034	0.0870	0.0000	590,739,226	0.1000	0.0000	0
Missouri River-Bonfils Sewer	General Revenue	160,978,420	0.0820	0.0000	134,320	0.1000	0.0000	511,403,952	0.0970	0.0000	223,742,472	0.1000	0.0000	0
North Affton Sewer	General Revenue	71,270,500	0.0640	0.0000	0	0.0000	0.0000	5,403,911	0.0690	0.0000	10,863,478	0.0850	0.0000	0
Paddock Creek Sewer	General Revenue	130,901,330	0.0710	0.0000	1,470	0.1000	0.0000	31,773,255	0.0860	0.0000	24,435,403	0.0990	0.0000	0
Seminary Branch RDP Sewer	General Revenue	251,097,410	0.0600	0.0000	0	0.0000	0.0000	48,794,985	0.0710	0.0000	44,497,720	0.0760	0.0000	0
Shrewsbury Branch RDP Sewer	General Revenue	23,504,120	0.0530	0.0000	0	0.0000	0.0000	4,698,116	0.0590	0.0000	4,669,743	0.0820	0.0000	0
Sugar Creek Sewer	General Revenue	298,419,810	0.0520	0.0000	130	0.0000	0.0000	41,080,447	0.0880	0.0000	46,534,248	0.0690	0.0000	0
University City Branch RDP Sewer	General Revenue	555,645,950	0.0720	0.0000	8,420	0.0000	0.0000	293,351,911	0.0840	0.0000	172,025,384	0.0940	0.0000	0

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	
Upper Paddock Creek Sewer	General Revenue	30,843,520	0.0670	0.0000	1,470	0.0680	0.0000	6,062,121	0.0780	0.0000	5,623,669	0.0910	0.0000	0
Watkins Creek Sewer	General Revenue	129,448,600	0.0790	0.0000	7,550	0.0930	0.0000	34,288,911	0.0990	0.0000	29,067,438	0.0990	0.0000	0
Wedgewood Creek Sewer	General Revenue	27,908,400	0.0850	0.0000	0	0.0000	0.0000	15,345,884	0.0950	0.0000	8,453,814	0.1000	0.0000	0
Wellston Sewer	General Revenue	15,734,830	0.1000	0.0000	0	0.0000	0.0000	14,327,191	0.0960	0.0000	9,792,301	0.1000	0.0000	0
Hancock Street Light Dist St. Louis	General Revenue	48,898,950	0.1440	0.1410	0	0.0000	0.0000	12,174,140	0.1730	0.1470	14,301,830	0.2000	0.1700	111,157
Wheaton Cook Lyndhurst Light Dist	General Revenue	7,186,510	0.1530	0.1530	0	0.0000	0.0000	1,327,940	0.1580	0.1580	1,360,010	0.2000	0.2000	15,813
Castle Point Street Light District	General Revenue	7,197,650	0.1580	0.1550	0	0.0000	0.0000	259,080	0.1470	0.1440	1,503,620	0.1850	0.1850	14,311
Glasgow Village Street Light Dist	General Revenue	22,993,210	0.1350	0.1350	0	0.0000	0.0000	355,740	0.1010	0.1010	3,567,370	0.1580	0.1580	37,036
Elmwood Park Street Light District	General Revenue		**			**			**			**		
Clayton Special Business District	General Revenue	46,057,280	0.1060	0.0740	0	0.0000	0.0000	289,877,990	0.1210	0.0740	0	0.0000	0.0000	248,592
Maplewood Special Business District	General Revenue	463,620	0.2340	0.2340	0	0.0000	0.0000	18,591,910	0.3040	0.3040	0	0.0000	0.0000	57,604
University City Spec Bus Dist BD57	General Revenue	1,233,410	0.4910	0.4910	0	0.0000	0.0000	7,186,190	0.4610	0.4610	0	0.0000	0.0000	39,184
Webster Groves-Old Webster Bus Dis	General Revenue	281,380	0.3880	0.2900	0	0.0000	0.0000	12,662,730	0.3090	0.2900	0	0.0000	0.0000	37,538
Webster Groves-Old Orchard Bus Dis	General Revenue	182,710	0.5080	0.3600	0	0.0000	0.0000	8,405,080	0.5550	0.3600	0	0.0000	0.0000	30,916
Kirkwood Special Business District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	28,083,300	0.4480	0.4480	0	0.0000	0.0000	125,813
Jennings Special Business District	General Revenue	45,480	0.4290	0.4050	0	0.0000	0.0000	2,114,330	0.4300	0.4300	0	0.0000	0.0000	9,276
Productive Living Board	General Revenue	15,039,795,920	0.0690	0.0690	6,849,010	0.0900	0.0900	5,793,095,983	0.0810	0.0810	3,789,235,672	0.0900	0.0900	18,486,343
Parkview Gardens Spec Bus Dist BD3	General Revenue	10,952,440	0.6310	0.6310	0	0.0000	0.0000	2,439,930	0.7030	0.7030	0	0.0000	0.0000	86,263
Crossroads Special Business Dist	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	3,999,630	0.5810	0.4000	0	0.0000	0.0000	15,999
Robinwood West Community Imp Dis	General Revenue	17,208,640	0.6420	0.6400	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000	110,135
	General Revenue-Temp	17,208,640	0.2800	0.2800	A	0	0.2800	0.2800	A	0	0.2800	0.2800	A	48,184
Crossings Community Imp District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	3,840,320	2.0000	2.0000	0	0.0000	0.0000	76,806
Hazelwood R-I School District	Operating Funds-Schools	1,169,834,720	4.4300	4.4300	E	740,520	5.4648	5.4648	E	488,755,070	5.4277	5.4277	E	99,946,235
	Debt Service	1,169,834,720	1.3430	0.9400	E	740,520	1.3430	0.9400	E	488,755,070	1.3430	0.9400	E	19,346,215
Ferguson-Florissant R-II Sch Dist	Operating Funds-Schools	547,893,560	3.8966	3.8966	E	35,910	4.5530	4.5530	E	321,392,900	4.4155	4.4155	E	48,180,235
	Debt Service	547,893,560	0.3420	0.2900	E	35,910	0.3420	0.2900	E	321,392,900	0.3420	0.2900	E	3,294,262
Pattonville R-III School District	Operating Funds-Schools	468,776,860	3.0882	2.9434		199,820	4.0877	3.9429		715,251,070	3.4494	3.3046		49,224,591
	Debt Service	468,776,860	0.5440	0.4900		199,820	0.5440	0.4900		715,251,070	0.5440	0.4900		7,327,824
Kirkwood R-VII School District	Operating Funds-Schools	911,274,080	2.8249	2.8249	E	203,120	4.9454	4.9454	E	225,573,030	3.8934	3.6434	E	38,619,374
	Operating Funds-Temp	911,274,080	0.7320	0.7320	E	203,120	0.7320	0.7320	E	225,573,030	0.7320	0.7320	E	9,359,607
	Debt Service	911,274,080	0.3650	0.3650	E	203,120	0.3650	0.3650	E	225,573,030	0.3650	0.3650	E	4,667,017
Lindbergh R-VIII School District	Operating Funds-Schools	849,625,600	2.7500	2.7500		372,850	4.1497	4.0015		309,159,680	2.7500	2.7500		36,697,041
	Debt Service	849,625,600	0.3800	0.3800		372,850	0.3800	0.3800		309,159,680	0.3800	0.3800		5,036,629
Mehlville R-IX School District	Operating Funds-Schools	1,329,533,050	2.8087	2.8087	E	352,760	3.7500	3.7500	E	291,197,820	2.9365	2.9365	E	55,421,080
	Debt Service	1,329,533,050	0.3380	0.3380	E	352,760	0.3380	0.3380	E	291,197,820	0.3380	0.3380	E	6,366,432
Parkway C-2 School District	Operating Funds-Schools	2,919,979,940	3.4477	2.8900	E	1,660,000	3.8357	3.5600	E	1,149,807,450	3.6599	3.5600	E	147,598,919

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate				Agricultural Real Estate				Commercial Real Estate				Personal Property			Revenue
		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied		Assessed Value	Ceiling	Levied	
Parkway C-2 School District	Debt Service	2,919,979,940	0.3400	0.3400	E	1,660,000	0.3400	0.3400	E	1,149,807,450	0.3400	0.3400	E	624,136,460	0.3400	0.3400	E 15,964,985
Aftton 101 School District	Operating Funds-Schools	304,655,000	4.7219	4.3658	G	0	0.0000	0.0000	E	68,961,270	5.1969	5.1033	G	60,811,410	5.5131	5.1431	E 19,947,520
Bayless School District	Operating Funds-Schools	137,820,160	2.7500	2.7500	E	0	2.7500	2.7500	E	13,562,740	2.9176	2.9176	E	24,326,760	3.8500	3.8500	E 5,122,341
	Debt Service	137,820,160	0.3900	0.3900	E	0	0.3900	0.3900	E	13,562,740	0.3900	0.3900	E	24,326,760	0.3900	0.3900	E 685,268
Brentwood School District	Operating Funds-Schools	158,258,720	2.6371	2.5465		0	0.0000	0.0000		94,435,330	3.4148	3.3242		44,348,320	3.3915	3.3009	8,633,171
	Debt Service	158,258,720	0.2100	0.2100		0	0.2100	0.2100		94,435,330	0.2100	0.2100		44,348,320	0.2100	0.2100	623,788
Clayton School District	Operating Funds-Schools	525,645,220	2.9373	2.8972	D	0	0.0000	0.0000		439,413,840	3.2738	3.2345	D	101,999,390	3.4726	3.4356	D 32,946,125
	Debt Service	525,645,220	0.3330	0.3330		0	0.3330	0.3330		439,413,840	0.3330	0.3330		101,999,390	0.3330	0.3330	3,553,305
Hancock Place School District	Operating Funds-Schools	47,999,740	3.1141	3.1136	E	0	0.0000	0.0000	E	11,630,900	3.9400	3.9391	E	14,181,930	4.3000	4.3000	E 2,562,496
	Debt Service	47,999,740	1.2866	0.9719	E	0	1.2866	0.9719	E	11,630,900	1.2866	0.9719	E	14,181,930	1.2866	0.9719	E 717,384
Jennings School District	Operating Funds-Schools	76,494,710	3.9713	3.9711	E	0	0.0000	0.0000	E	15,954,480	5.5500	5.5500	E	28,126,290	4.8034	4.8034	E 5,274,173
	Debt Service	76,494,710	0.6980	0.5760	E	0	0.6980	0.5760	E	15,954,480	0.6980	0.5760	E	28,126,290	0.6980	0.5760	E 694,515
Ladue School District	Operating Funds-Schools	1,147,850,230	2.7500	2.7500		10,910	2.7500	2.7500		241,521,140	2.7500	2.7500		144,989,550	2.7500	2.7500	42,195,225
	Debt Service	1,147,850,230	0.3170	0.2300		10,910	0.3170	0.2300		241,521,140	0.3170	0.2300		144,989,550	0.3170	0.2300	3,529,056
Maplewood-Richmond Heights SD	Operating Funds-Schools	185,738,000	2.8930	2.8930	E	0	0.0000	0.0000	E	62,366,170	3.5189	3.5189	E	38,412,250	4.2458	4.2458	E 9,198,910
	Debt Service	185,738,000	0.9490	0.9490	E	0	0.9490	0.9490	E	62,366,170	0.9490	0.9490	E	38,412,250	0.9490	0.9490	E 2,719,041
Normandy School District	Operating Funds-Schools	184,772,500	3.9515	3.6929	F	16,560	4.1268	3.8630	F	36,012,530	4.6600	4.4369	F	53,361,470	4.6600	4.4369	F 10,789,539
	Debt Service	184,772,500	2.4887	1.7314	F	16,560	2.4887	1.7314	F	36,012,530	2.4887	1.7314	F	53,361,470	2.4887	1.7314	F 4,746,859
Ritenour School District	Operating Funds-Schools	312,176,000	3.1437	3.0437	E	0	0.0000	0.0000	E	191,029,830	3.6663	3.6663	E	135,478,900	4.0492	4.0492	E 21,991,240
	Debt Service	312,176,000	0.9350	0.7100	E	0	0.9350	0.7100	E	191,029,830	0.9350	0.7100	E	135,478,900	0.9350	0.7100	E 4,534,662
Riverview Gardens School District	Operating Funds-Schools	208,794,390	3.6385	3.6385	E	2,590	4.3500	4.3500	E	23,037,660	3.9426	3.9426	E	43,164,180	4.1177	4.1177	E 10,282,751
	Debt Service	208,794,390	1.0600	1.0600	E	2,590	1.0600	1.0600	E	23,037,660	1.0600	1.0600	E	43,164,180	1.0600	1.0600	E 2,914,987
University City School District	Operating Funds-Schools	510,525,020	3.7642	3.3097	E	0	0.0000	0.0000	E	59,762,920	4.1123	3.6060	E	70,515,790	5.1824	4.5371	E 22,251,270
	Debt Service	510,525,020	0.7380	0.7380	E	0	0.7380	0.7380	E	59,762,920	0.7380	0.7380	E	70,515,790	0.7380	0.7380	E 4,729,132
Valley Park School District	Operating Funds-Schools	92,968,670	3.6822	3.6822	E	7,740	4.6500	4.6500	E	32,765,590	3.6856	3.6856	E	35,026,350	4.6500	4.6500	E 6,259,986
	Debt Service	92,968,670	0.6280	0.5900	E	7,740	0.6280	0.5900	E	32,765,590	0.6280	0.5900	E	35,026,350	0.6280	0.5900	E 948,533
Webster Groves School District	Operating Funds-Schools	593,563,110	4.0580	4.0509	E	0	0.0000	0.0000	E	95,147,140	3.9546	3.9476	E	81,878,220	4.8889	4.8889	E 31,803,620
	Debt Service	593,563,110	0.5640	0.5640	E	0	0.5640	0.5640	E	95,147,140	0.5640	0.5640	E	81,878,220	0.5640	0.5640	E 4,346,119
Wellston School District	Operating Funds-Schools	4,686,020	5.6251	5.6251	E	0	0.0000	0.0000	E	8,016,510	5.6700	5.6700	E	5,673,780	5.6700	5.6700	E 1,039,832
St. Louis County	General Revenue	15,039,795,920	0.2180	0.1900		6,849,010	0.3500	0.1900		5,793,095,983	0.2560	0.1900		3,789,235,672	0.2810	0.1900	46,795,055
	Parks & Recreation	15,039,795,920	0.0540	0.0500		6,849,010	0.0700	0.0500		5,793,095,983	0.0630	0.0500		3,789,235,672	0.0700	0.0500	12,314,489
	Road & Bridge	15,039,795,920	0.1400	0.1050		6,849,010	0.1800	0.1050		5,793,095,983	0.1610	0.1050		3,789,235,672	0.1800	0.1050	25,860,425
	Health	15,039,795,920	0.1870	0.1500		6,849,010	0.3000	0.1500		5,793,095,983	0.2200	0.1500		3,789,235,672	0.2410	0.1500	36,943,466
	Debt Service	15,039,795,920	0.0770	0.0630		6,849,010	0.0770	0.0630		5,793,095,983	0.0770	0.0630		3,789,235,672	0.0770	0.0630	15,516,254
																Total Revenue	\$ 1,230,760,243

LISTING OF 2008 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property			Revenue
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	

LEGEND:

- ** Levy did not exist or was not certified due to insufficient substantiating data.
- A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy.
- B A voter approved increase to an existing levy.
- C Levy includes a recoupment rate authorized by state law.
- D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Results - Table 1.2.
- E School district has a full Proposition C (sales tax) waiver which allows the school district to reduce its required Proposition C reduction to \$0.000 and levy up to its calculated tax rate ceiling.
- F School district has a partial Proposition C (sales tax) waiver which allows the school district to waive a portion of its required Proposition C reduction to the extent necessary to collect \$2.7500 or the amount stated on the ballot.
- G School district levy includes a recoupment rate authorized by state law and has a full Proposition C (sales tax) waiver which allows the school district to reduce its required Proposition C reduction to \$0.000 and levy up to its calculated tax rate ceiling.

NOTE:

This Appendix contains levy information for political subdivisions wholly in St. Louis County and the City of Gladstone in Clay County. Previous legislation required taxing authorities wholly in St. Louis County and allowed the City of Gladstone in Clay County to calculate a separate tax rate on each subclass of property. Political subdivisions partially in St. Louis County and partially in another county(ies) were also required by previous legislation to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions requiring the multi rate calculation. See Appendix VII for a listing of 2008 and 2007 taxing authorities that calculated a single tax rate to apply to all property.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.

The revenue generated is computed by multiplying the tax rate levied by the assessed valuation and dividing by 100.

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Clay													
City of Gladstone	General Revenue	251,324,540	0.9290	0.9290	219,230	0.9290	0.9290	65,556,859	0.8550	0.8550	62,654,282	0.9290	0.5391
St. Louis													
City of Bella Villa	General Revenue	8,260,980	0.2060	0.0000	0	0.0000	0.0000	608,688	0.2380	0.0000	1,247,732	0.3030	0.0000
City of Bellefontaine Neighbors	General Revenue	72,225,580	0.1980	0.1500	260	0.2500	0.1500	8,547,120	0.2070	0.1500	15,715,353	0.2360	0.0000
Village of Bellerive Acres	General Revenue	3,872,770	0.5510	0.5510	0	0.0000	0.0000	218,470	0.5070	0.5070	603,978	0.7670	0.7670
Village of Bel Nor	General Revenue	19,702,758	0.4590	0.4590	0	0.0000	0.0000	405,820	0.4600	0.4600	2,753,956	0.5530	0.5530
	Debt Service	19,702,758	0.2560	0.2560	0	0.2560	0.2560	405,820	0.2560	0.2560	2,753,956	0.2560	0.2560
Village of Bel Ridge	General Revenue	10,894,160	0.3310	0.3310	0	0.0000	0.0000	4,821,600	0.3500	0.3500	0	0.0000	0.0000
	Debt Service	10,894,160	0.1680	0.1680	0	0.1680	0.1680	4,821,600	0.1680	0.1680	0	0.1680	0.1680
City of Berkeley	General Revenue	49,169,000	0.5680	0.5680	15,300	0.8110	0.8110	103,252,468	0.7640	0.7640	58,995,706	0.9200	0.9200
	Pension	49,169,000	0.0870	0.0870	15,300	0.1050	0.1050	103,252,468	0.1010	0.1010	58,995,706	0.1100	0.1100
	Debt Service	49,169,000	0.1720	0.1720	15,300	0.1720	0.1720	103,252,468	0.1720	0.1720	58,995,706	0.1720	0.1720
City of Beverly Hills	General Revenue	2,879,560	0.1780	0.1740	0	0.0000	0.0000	1,431,298	0.1880	0.1840	1,055,458	0.2320	0.2320
City of Black Jack	Debt Service	72,043,100	0.5190	0.4300	31,330	0.5190	0.4300	3,926,911	0.5190	0.4300	12,438,173	0.5190	0.4300
City of Breckenridge Hills	General Revenue	25,079,870	0.2510	0.2000	0	0.0000	0.0000	10,829,385	0.2490	0.2000	5,664,156	0.0000	0.0000
City of Brentwood	General Revenue	159,019,490	0.1460	0.0000	0	0.0000	0.0000	139,924,190	0.1300	0.1300	38,933,975	0.2070	0.2070
	Library	159,019,490	0.1270	0.1270	0	0.0000	0.0000	139,924,190	0.1120	0.1120	38,933,975	0.1790	0.1790
	Pension	159,019,490	0.3110	0.3110	0	0.0000	0.0000	139,924,190	0.3170	0.3170	38,933,975	0.3850	0.3850
	Debt Service	159,019,490	0.2900	0.0700	0	0.2900	0.0700	139,924,190	0.2900	0.0700	38,933,975	0.2900	0.0700
City of Bridgeton	General Revenue	122,863,350	0.2080	0.1600	115,380	0.2500	0.0000	305,168,856	0.2070	0.2050	0	0.0000	0.0000
Village of Calverton Park	General Revenue	10,644,270	0.2330	0.2150	0	0.0000	0.0000	498,778	0.2720	0.2150	1,776,460	0.2980	0.2150
City of Charlack	General Revenue	8,494,470	0.1860	0.1740	0	0.0000	0.0000	2,657,340	0.2060	0.2170	2,036,271	0.2570	0.2570
City of Clarkson Valley	General Revenue	106,844,336	0.1030	0.1030	7,130	0.1120	0.1120	6,172,670	0.1210	0.1210	11,654,690	0.1530	0.1530
City of Clayton	General Revenue	457,768,720	0.5660	0.5660	0	0.0000	0.0000	348,519,829	0.6360	0.6360	84,931,075	0.7070	0.7070
	Debt Service	457,768,720	0.1260	0.1250	0	0.1260	0.1250	348,519,829	0.1260	0.1250	84,931,075	0.1260	0.1250
City of Cool Valley	General Revenue	7,336,820	0.1280	0.1280	0	0.0000	0.0000	17,208,839	0.1410	0.1410	3,775,454	0.1650	0.1650
City of Country Club Hills	General Revenue	5,209,910	0.6100	0.6100	0	0.0000	0.0000	947,000	0.7410	0.7410	1,444,660	0.7330	0.7330
	Parks & Recreation	5,209,910	0.2830	0.2830	0	0.0000	0.0000	947,000	0.3100	0.3100	1,444,660	0.3380	0.3380
	Health	5,209,910	0.1630	0.1630	0	0.0000	0.0000	947,000	0.1570	0.1570	1,444,660	0.1900	0.1900
Village of Country Life Acres	General Revenue	7,388,140	0.3130	0.3130	0	0.0000	0.0000	69,945	0.4250	0.4250	495,137	0.4280	0.4280
City of Crestwood	General Revenue	190,084,690	0.2050	0.2050	150	0.0000	0.0000	98,121,838	0.2340	0.2340	34,801,505	0.2790	0.2790
	General Revenue - Temp	190,084,690	0.1690	0.1690	150	0.0000	0.0000	98,121,838	0.1780	0.1780	34,801,505	0.2000	0.2000
City of Creve Coeur	General Revenue	498,824,720	0.0750	0.0750	7,470	0.0940	0.0940	390,638,104	0.0700	0.0700	0	0.0000	0.0000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Crystal Lake Park	General Revenue	15,616,840	0.6100	0.6100	0	0.0000	0.0000	150,596	0.2900	0.2900	1,397,072	0.8080	0.8080
City of Dellwood	General Revenue	31,800,070	0.1700	0.1700	0	0.0000	0.0000	8,475,890	0.1970	0.1970	8,130,168	0.2350	0.2350
City of Des Peres	General Revenue	229,495,930	0.2410	0.0000	195,010	0.3220	0.0000	98,242,790	0.2010	0.0000	51,297,530	0.0000	0.0000
	Debt Service	229,495,930	0.8440	0.0000	195,010	0.8440	0.0000	98,242,790	0.8440	0.0000	51,297,530	0.8440	0.0000
City of Edmundson	General Revenue	4,706,430	0.5000	0.0000	0	0.0000	0.0000	23,021,480	0.4510	0.3480	7,389,080	0.0000	0.0000
City of Ellisville	General Revenue	154,155,550	0.3180	0.1500	930	0.5380	0.1500	99,124,809	0.3420	0.1500	32,256,544	0.4170	0.0000
City of Eureka	General Revenue	154,531,030	0.3850	0.3730	130,950	0.6500	0.3730	58,884,392	0.3630	0.3630	37,312,201	0.4910	0.3900
City of Ferguson	General Revenue	139,914,450	0.3420	0.3420	13,760	0.2580	0.2580	47,790,016	0.3990	0.3990	44,466,882	0.4500	0.4500
	Parks & Recreation	139,914,450	0.1430	0.1410	13,760	0.1030	0.1020	47,790,016	0.1720	0.1720	44,466,882	0.1980	0.1980
City of Flordell Hills	General Revenue	3,476,400	0.4380	0.4380	0	0.0000	0.0000	854,665	0.9520	0.9520	0	0.0000	0.0000
City of Florissant	General Revenue	459,447,300	0.0840	0.0000	41,170	0.1140	0.0000	133,523,723	0.1050	0.0000	93,042,870	0.1200	0.0000
City of Frontenac	General Revenue	181,104,060	0.4340	0.4340	0	0.0000	0.0000	42,028,800	0.5170	0.5170	20,911,140	0.5530	0.5530
Village of Glen Echo Park	General Revenue	1,653,600	0.3720	0.3720	0	0.0000	0.0000	29,236	0.5000	0.5000	249,728	0.5000	0.5000
City of Glendale	General Revenue	143,033,020	0.3810	0.3810	0	0.0000	0.0000	5,447,161	0.4200	0.4200	14,511,917	0.5190	0.5190
	Pension	143,033,020	0.0740	0.0740	0	0.0000	0.0000	5,447,161	0.0830	0.0830	14,511,917	0.1000	0.1000
Town of Grantwood Village	General Revenue	22,561,800	0.1990	0.1990	113,740	0.2030	0.2030	1,497,031	0.1380	0.1380	3,221,094	0.2610	0.2610
City of Greendale	General Revenue	5,795,280	0.4680	0.4680	0	0.0000	0.0000	269,150	0.4050	0.4050	0	0.0000	0.0000
Village of Hanley Hills	General Revenue	11,331,400	0.3630	0.3540	0	0.0000	0.0000	626,388	0.2700	0.2610	2,454,500	0.4500	0.4500
City of Hazelwood	General Revenue	235,881,770	0.6080	0.6080	217,190	0.7570	0.7570	232,929,897	0.6800	0.6800	120,801,029	0.7540	0.7540
	Debt Service	235,881,770	0.2330	0.2330	217,190	0.2330	0.2330	232,929,897	0.2330	0.2330	120,801,029	0.2330	0.2330
Village of Hillsdale	General Revenue	3,315,580	0.3160	0.3160	0	0.0000	0.0000	3,431,400	0.3670	0.3670	3,887,933	0.5000	0.5000
City of Huntleigh	General Revenue	37,958,340	0.2540	0.1460	11,820	0.1620	0.1460	353,540	0.3880	0.3580	2,232,382	0.3280	0.1480
City of Jennings	General Revenue	67,367,760	0.9760	0.9760	0	0.0000	0.0000	16,319,277	1.0000	1.0000	17,765,943	1.0000	1.0000
	Pension	67,367,760	0.1810	0.1800	0	0.0000	0.0000	16,319,277	0.1850	0.1800	17,765,943	0.1850	0.1800
City of Kinloch	General Revenue	922,580	1.0000	0.9840	0	0.0000	0.0000	1,309,606	1.0000	1.0000	874,045	1.0000	1.0000
City of Kirkwood	Parks & Recreation	559,774,300	0.1480	0.1300	0	0.0000	0.0000	100,046,080	0.1500	0.1300	75,644,160	0.2000	0.1300
	Library	557,012,180	0.1670	0.1670	0	0.0000	0.0000	98,494,950	0.1780	0.1780	72,741,100	0.2350	0.2350
	Pension	559,774,300	0.1290	0.1250	0	0.0000	0.0000	100,046,080	0.1400	0.1370	75,644,160	0.1820	0.1820
	General Revenue	559,774,300	0.3400	0.2760	A 0	0.3400	0.2760	A 100,046,080	0.3400	0.2760	A 75,644,160	0.3400	0.2760
City of Ladue	Debt Service	559,774,300	0.1200	0.1200	0	0.1200	0.1200	100,046,080	0.1200	0.1200	75,644,160	0.1200	0.1200
	General Revenue	571,146,740	0.6430	0.6430	2,490	0.8840	0.8840	47,489,720	0.6570	0.6570	47,411,538	0.7560	0.7560
City of Lakeshire	General Revenue	14,394,980	0.0760	0.0760	0	0.0000	0.0000	184,110	0.0360	0.0360	0	0.0000	0.0000
Village of Mackenzie	General Revenue	1,728,940	0.1360	0.1360	0	0.0000	0.0000	52,268	0.1660	0.1660	296,239	0.1850	0.1850
City of Manchester	General Revenue	268,757,130	0.2910	0.0500	360	0.5560	0.0500	60,449,810	0.2330	0.0500	43,059,677	0.3850	0.0500
	Debt Service	268,757,130	0.1930	0.1930	360	0.1930	0.1930	60,449,810	0.1930	0.1930	43,059,677	0.1930	0.1930
City of Maplewood	General Revenue	85,085,210	0.3080	0.3080	0	0.0000	0.0000	55,556,105	0.4750	0.4750	22,225,019	0.5670	0.5670
	Pension	85,085,210	0.3920	0.3920	B 0	0.2000	0.0000	B 55,556,105	0.4470	0.4470	B 22,225,019	0.4450	0.4450

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of Maplewood	Solid Waste	85,085,210	0.1380	0.1380	0	0.0000	0.0000	55,556,105	0.1660	0.1660	22,225,019	0.2180	0.2180
Village of Marlborough	General Revenue	14,848,360	0.0940	0.0940	0	0.0000	0.0000	9,407,902	0.0840	0.0840	4,964,791	0.1110	0.1110
City of Normandy	General Revenue	21,949,920	0.3220	0.3220	0	0.0000	0.0000	4,157,380	0.3480	0.3480	5,173,860	0.4000	0.4000
City of Northwoods	General Revenue	23,721,903	0.3370	0.3300	0	0.0000	0.0000	2,391,500	0.2750	0.2700	5,424,080	0.4150	0.3600
	Debt Service	23,721,903	0.7750	0.7000	0	0.7750	0.7000	2,391,500	0.7750	0.7000	5,424,080	0.7750	0.7000
Village of Norwood Court	General Revenue	3,841,980	0.2740	0.0000	0	0.0000	0.0000	204,710	0.2920	0.0000	906,363	0.3450	0.0000
City of Oakland	General Revenue	24,987,860	0.1730	0.1680	0	0.0000	0.0000	1,792,880	0.3300	0.2130	3,103,620	0.2370	0.2370
City of Olivette	General Revenue	157,233,440	0.5730	0.5730	0	0.0000	0.0000	69,887,210	0.5530	0.5530	30,398,734	0.7710	0.7710
	Pension	157,233,440	0.2060	0.2060	0	0.0000	0.0000	69,887,210	0.1890	0.1890	30,398,734	0.2500	0.2500
City of Overland	General Revenue	126,248,140	0.0690	0.0690	0	0.0000	0.0000	89,362,982	0.0890	0.0890	42,550,672	0.0970	0.0970
	Pension	126,248,140	0.1020	0.1020	0	0.0000	0.0000	89,362,982	0.1340	0.1340	42,550,672	0.1460	0.1460
City of Pagedale	General Revenue	13,072,450	0.2110	0.2110	0	0.0000	0.0000	12,937,370	0.2470	0.2470	7,342,688	0.3500	0.3500
City of Pasadena Hills	General Revenue	13,349,450	0.2230	0.2230	0	0.0000	0.0000	79,520	0.2400	0.2400	1,785,860	0.3100	0.3100
	Debt Service	13,349,450	1.0022	1.0022	0	1.0022	1.0022	79,520	1.0022	1.0022	1,785,860	1.0022	1.0022
Village of Pasadena Park	General Revenue	4,894,569	0.2350	0.2350	0	0.0000	0.0000	23,740	0.2440	0.2440	681,270	0.3090	0.3090
City of Pine Lawn	General Revenue	11,754,090	0.2540	0.2540	0	0.0000	0.0000	3,474,745	0.2460	0.2460	3,526,263	0.2580	0.2580
City of Richmond Heights	General Revenue	195,220,190	0.4410	0.2900	0	0.0000	0.0000	121,533,437	0.5870	0.2900	34,227,550	0.6150	0.2900
	Library	195,220,190	0.1510	0.1510	0	0.0000	0.0000	121,533,437	0.2030	0.2030	34,227,550	0.2120	0.2120
	Pension	195,220,190	0.2550	0.2550	0	0.0000	0.0000	121,533,437	0.3390	0.3200	34,227,550	0.3560	0.3200
Village of Riverview	General Revenue	14,293,820	0.2670	0.2670	0	0.0000	0.0000	2,050,622	0.2880	0.2880	2,611,260	0.3120	0.3120
City of Rock Hill	General Revenue	65,952,880	0.2360	0.2360	0	0.0000	0.0000	24,511,418	0.2340	0.2340	11,785,300	0.3480	0.3480
	Library	65,952,880	0.2410	0.2410	0	0.0000	0.0000	24,511,418	0.2400	0.2400	11,785,300	0.3550	0.3550
	Debt Service	65,952,880	0.3140	0.3140	0	0.3140	0.3140	24,511,418	0.3140	0.3140	11,785,300	0.3140	0.3140
City of St. Ann	General Revenue	98,735,200	0.1390	0.1390	0	0.0000	0.0000	43,531,024	0.1900	0.1900	22,341,237	0.1930	0.0000
City of St. George	General Revenue	15,164,440	0.0910	0.0910	0	0.0000	0.0000	365,173	0.1180	0.1180	2,092,763	0.1390	0.1390
City of St. John	General Revenue	47,786,230	0.2670	0.2670	0	0.0000	0.0000	7,968,994	0.4470	0.4470	12,436,177	0.4500	0.4500
City of Shrewsbury	General Revenue	83,356,500	0.3390	0.3390	0	0.0000	0.0000	32,575,102	0.3400	0.3400	16,359,120	0.4370	0.4370
	Debt Service	83,356,500	0.7630	0.6610	0	0.7630	0.6610	32,575,102	0.7630	0.6610	16,359,120	0.7630	0.6610
City of Sunset Hills	General Revenue	231,045,090	0.0680	0.0540	185,820	0.1000	0.0600	118,500,920	0.0700	0.0570	44,735,570	0.0900	0.0600
Village of Sycamore Hills	General Revenue	6,145,760	0.1660	0.1660	0	0.0000	0.0000	490,011	0.2400	0.2400	1,105,247	0.2530	0.2530
	Health	6,145,760	0.0770	0.0770	0	0.0000	0.0000	490,011	0.1110	0.1110	1,105,247	0.1180	0.1180
City of Town and Country	General Revenue	469,032,890	0.4690	0.0000	45,250	0.8990	0.0000	216,299,964	0.5320	0.0000	79,776,666	0.5790	0.0000
	Dispatch	469,032,890	0.0250	0.0000	45,250	0.0290	0.0000	216,299,964	0.0280	0.0000	79,776,666	0.0300	0.0000
Village of Twin Oaks	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000
City of University City	General Revenue	505,546,330	0.5110	0.5110	0	0.0000	0.0000	52,544,870	0.5700	0.5700	64,608,510	0.6910	0.6910
	Library	505,546,330	0.2230	0.2230	0	0.0000	0.0000	52,544,870	0.2510	0.2510	64,608,510	0.3010	0.3010
	Pension	505,546,330	0.1440	0.1440	0	0.0000	0.0000	52,544,870	0.1630	0.1630	64,608,510	0.1950	0.1950

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
City of University City	Debt Service	505,546,330	0.0490	0.0490	0	0.0490	0.0490	52,544,870	0.0490	0.0490	64,608,510	0.0490	0.0490
Village of Uplands Park	General Revenue	2,578,800	0.2920	0.2920	0	0.0000	0.0000	65,331	0.4120	0.4120	542,231	0.3910	0.3910
City of Valley Park	General Revenue	66,904,390	0.5050	0.4800	6,691	0.0000	0.0000	14,847,360	0.7760	0.7490	16,702,122	0.6850	0.5700
City of Velda City	General Revenue	7,114,578	0.2860	0.2860	0	0.0000	0.0000	170,970	0.4420	0.4420	1,382,732	0.3820	0.3820
	Debt Service	7,114,578	0.9530	0.9530	0	0.9530	0.9530	170,970	0.9530	0.9530	1,382,732	0.9530	0.9530
Village of Velda Village Hills	General Revenue	5,391,690	0.2820	0.2860	0	0.0000	0.0000	246,895	0.3520	0.4900	1,151,310	0.3780	0.3780
City of Vinita Park	General Revenue	8,891,420	0.1870	0.1870	0	0.0000	0.0000	31,546,030	0.2080	0.2080	7,541,360	0.2300	0.2300
	Debt Service	8,891,420	0.2340	0.2340	0	0.2340	0.2340	31,546,030	0.2340	0.2340	7,541,360	0.2340	0.2340
Village of Vinita Terrace	General Revenue	1,888,640	0.0330	0.0330	0	0.0000	0.0000	902,730	0.0400	0.0400	0	0.0000	0.0000
	Health	1,888,640	0.0970	0.0960	0	0.0000	0.0000	902,730	0.1470	0.1470	0	0.0000	0.0000
City of Warson Woods	General Revenue	55,638,810	0.3340	0.3340	0	0.0000	0.0000	8,264,014	0.3740	0.3740	6,507,807	0.4470	0.0000
City of Webster Groves	General Revenue	430,005,250	0.2110	0.2110	0	0.0000	0.0000	53,256,289	0.2130	0.2130	53,249,244	0.2800	0.2800
	Library	430,005,250	0.1350	0.1340	0	0.0000	0.0000	53,256,289	0.1350	0.1340	54,671,814	0.1800	0.1800
	Streets	430,005,250	0.1360	0.1360	0	0.0000	0.0000	53,256,289	0.1370	0.1370	53,249,244	0.1810	0.1810
	Pension	430,005,250	0.1090	0.1090	0	0.0000	0.0000	53,256,289	0.1100	0.1100	53,249,244	0.1450	0.1450
	Debt Service	430,005,250	0.3480	0.3480	0	0.3480	0.3480	53,256,289	0.3480	0.3480	53,249,244	0.3480	0.3480
City of Wellston	General Revenue	3,917,830	0.5610	0.5610	0	0.0000	0.0000	8,207,643	0.4800	0.4800	6,419,163	0.6000	0.6000
Village of Westwood	General Revenue	18,049,930	0.0550	0.0550	0	0.0000	0.0000	234,941	0.1000	0.1000	0	0.0000	0.0000
City of Winchester	General Revenue	16,941,200	0.1630	0.1630	0	0.0000	0.0000	2,990,250	0.1740	0.1740	2,662,016	0.2610	0.2610
City of Woodson Terrace	General Revenue	27,295,720	0.1810	0.1770	0	0.0000	0.0000	20,467,129	0.2270	0.2200	25,627,806	0.2510	0.2200
City of Chesterfield	Debt Service	1,163,571,280	0.0670	0.0600	1,446,990	0.0670	0.0600	327,787,683	0.0670	0.0600	272,546,806	0.0670	0.0600
Ferguson Municipal Pub Library Dist	General Revenue	139,914,450	0.1680	0.1680	13,760	0.0000	0.0000	47,790,016	0.1950	0.1950	44,767,402	0.2200	0.2200
Maplewood Public Library	General Revenue	83,249,420	0.2140	0.2090	0	0.0000	0.0000	52,944,645	0.2480	0.2360	26,491,769	0.3020	0.3020
	Debt Service	83,249,420	0.1660	0.1620	0	0.1660	0.1620	52,944,645	0.1660	0.1620	26,491,769	0.1660	0.1620
St. Louis County Library	General Revenue	12,730,480,210	0.1440	0.1400	6,903,250	0.2000	0.1500	5,063,779,900	0.1660	0.1500	3,332,359,199	0.1850	0.1500
Valley Park Community Library	General Revenue	29,101,360	0.1320	0.1320	1,040	0.1700	0.1700	9,030,340	0.0900	0.0900	13,305,236	0.1700	0.1700
Affton Fire Protection District	General Revenue	417,092,700	0.6030	0.6030	850	0.7060	0.7060	64,574,723	0.6780	0.6780	74,987,173	0.7940	0.7940
	Ambulance	417,092,700	0.1370	0.1370	850	0.1180	0.1180	64,574,723	0.1630	0.1630	74,987,173	0.1820	0.1820
	Pension	417,092,700	0.0480	0.0480	850	0.0700	0.0700	64,574,723	0.0570	0.0570	74,987,173	0.0640	0.0640
	Dispatch	417,092,700	0.0210	0.0210	850	0.0000	0.0000	64,574,723	0.0240	0.0240	74,987,173	0.0270	0.0270
Metro West Fire Protection District	General Revenue	1,447,337,380	0.4270	0.4270	1,084,320	0.6500	0.6500	222,188,843	0.4820	0.4820	215,710,948	0.5610	0.5610
	Ambulance	1,447,337,380	0.2210	0.2210	1,084,320	0.3000	0.3000	222,188,843	0.2390	0.2390	215,710,948	0.2900	0.2900
	Pension	1,447,337,380	0.0810	0.0810	1,084,320	0.1100	0.1100	222,188,843	0.0880	0.0880	215,710,948	0.1060	0.1060
	Dispatch	1,447,337,380	0.0380	0.0380	1,084,320	0.0480	0.0480	222,188,843	0.0400	0.0400	215,710,948	0.0480	0.0480
	Debt Service	1,447,337,380	0.0690	0.0690	1,084,320	0.0690	0.0690	222,188,843	0.0690	0.0690	215,710,948	0.0690	0.0690
Black Jack Fire Protection District	General Revenue	523,583,310	0.7600	0.7600	212,580	0.8450	0.8450	60,185,165	0.9700	0.9700	96,772,135	1.0000	1.0000
	Pension	523,583,310	0.0760	0.0760	212,580	0.0850	0.0850	60,185,165	0.0970	0.0970	96,772,135	0.1000	0.1000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Black Jack Fire Protection District	NCCFA System	523,583,310	0.0380	0.0380	212,580	0.0420	0.0420	60,185,165	0.0470	0.0470	96,772,135	0.0500	0.0500
	Debt Service	523,583,310	0.1190	0.1190	212,580	0.1190	0.1190	60,185,165	0.1190	0.1190	96,772,135	0.1190	0.1190
Monarch Fire Protection District	General Revenue	1,511,471,060	0.3990	0.3990	2,161,470	0.7000	0.7000	361,427,247	0.5000	0.5000	324,194,952	0.5490	0.5490
	Ambulance	1,511,471,060	0.2530	0.2530	2,161,470	0.3300	0.3300	361,427,247	0.2720	0.2720	324,194,952	0.3300	0.3300
	Pension	1,511,471,060	0.0770	0.0770	2,161,470	0.1000	0.0800	361,427,247	0.0820	0.0800	324,194,952	0.1000	0.0800
	Dispatch	1,511,471,060	0.0390	0.0390	2,161,470	0.0500	0.0500	361,427,247	0.0410	0.0410	324,194,952	0.0500	0.0500
	Debt Service	1,511,471,060	0.0470	0.0300	2,161,470	0.0470	0.0300	361,427,247	0.0470	0.0300	324,194,952	0.0470	0.0300
Community Fire Protection District	General Revenue	322,549,670	0.7550	0.7550	0	0.0000	0.0000	180,914,662	0.9090	0.9090	127,753,109	1.0000	1.0000
	Ambulance	322,549,670	0.4090	0.4090	0	0.0000	0.0000	180,914,662	0.4550	0.4550	127,753,109	0.5000	0.5000
	Pension	322,549,670	0.0770	0.0770	0	0.0000	0.0000	180,914,662	0.0880	0.0880	127,753,109	0.1000	0.1000
	Dispatch	322,549,670	0.0230	0.0230	0	0.0000	0.0000	180,914,662	0.0260	0.0260	127,753,109	0.0300	0.0300
	Debt Service	322,549,670	0.0560	0.0560	0	0.0560	0.0560	180,914,662	0.0560	0.0560	127,753,109	0.0560	0.0560
Creve Coeur Fire Protection Dist	General Revenue	727,858,690	0.4850	0.4850	10,530	0.2750	0.2750	476,459,350	0.5130	0.5130	214,778,049	0.6260	0.6260
	Ambulance	727,858,690	0.1720	0.1720	10,530	0.0950	0.0950	476,459,350	0.1820	0.1820	214,778,049	0.2220	0.2220
	Pension	727,858,690	0.1170	0.1170	10,530	0.0570	0.0570	476,459,350	0.1250	0.1250	214,778,049	0.1500	0.1500
	Dispatch	727,858,690	0.0390	0.0390	10,530	0.0190	0.0190	476,459,350	0.0410	0.0410	214,778,049	0.0500	0.0500
Fenton Fire Protection District	General Revenue	451,601,000	0.3930	0.3200	158,440	0.6240	0.6240	324,200,260	0.4570	0.4570	240,375,734	0.5140	0.5140
	Ambulance	451,601,000	0.2550	0.1840	158,440	0.2930	0.2930	324,200,260	0.2690	0.2690	240,375,734	0.3000	0.3000
	Pension	451,601,000	0.0840	0.0840	158,440	0.0970	0.0970	324,200,260	0.0910	0.0910	240,375,734	0.1000	0.1000
	Dispatch	451,601,000	0.0420	0.0320	158,440	0.0490	0.0490	324,200,260	0.0450	0.0450	240,375,734	0.0500	0.0500
Florissant Valley Fire Prot Dist	General Revenue	664,064,420	0.5010	0.5010	195,940	0.7500	0.7500	155,821,417	0.6520	0.6520	134,726,019	0.7170	0.7170
	Ambulance	664,064,420	0.3190	0.3190	195,940	0.4400	0.4400	155,821,417	0.4020	0.4020	134,726,019	0.4400	0.4400
	Pension	664,064,420	0.0720	0.0720	195,940	0.1000	0.1000	155,821,417	0.0920	0.0920	134,726,019	0.1000	0.1000
	Dispatch	664,064,420	0.0360	0.0360	195,940	0.0500	0.0500	155,821,417	0.0450	0.0450	134,726,019	0.0500	0.0500
	Debt Service	664,064,420	0.1890	0.1890	195,940	0.1890	0.1890	155,821,417	0.1890	0.1890	134,726,019	0.1890	0.1890
Kinloch Fire Protection District	General Revenue	925,280	0.9000	0.8560	0	0.0000	0.0000	1,303,312	0.9000	0.9000	956,694	0.9000	0.9000
	Dispatch	925,280	0.0300	0.0000	0	0.0000	0.0000	1,303,312	0.0300	0.0000	956,694	0.0300	0.0000
Lemay Fire Protection District	General Revenue	145,055,919	0.7210	0.7210	180	0.9900	0.9900	27,638,700	0.7900	0.7900	35,009,884	0.9900	0.9900
	Ambulance	145,055,919	0.1610	0.1610	180	0.3000	0.3000	27,638,700	0.1930	0.1930	35,009,884	0.2500	0.2500
	Pension	145,055,919	0.0730	0.0730	180	0.0000	0.0000	27,638,700	0.0800	0.0800	35,009,884	0.1000	0.1000
	Central Alarm Fund	145,055,919	0.0360	0.0360	180	0.0000	0.0000	27,638,700	0.0400	0.0400	35,009,884	0.0500	0.0500
West County EMS & Fire Prot Dist	General Revenue	560,081,340	0.3590	0.3590	341,370	0.3900	0.3900	135,625,776	0.3540	0.3540	96,580,112	0.4570	0.4570
	Ambulance	560,081,340	0.1530	0.1530	341,370	0.1650	0.1650	135,625,776	0.1500	0.1500	96,580,112	0.1940	0.1940
	Pension	560,081,340	0.0760	0.0690	341,370	0.0810	0.0750	135,625,776	0.0750	0.0690	96,580,112	0.0970	0.0750
	Dispatch	560,081,340	0.0390	0.0390	341,370	0.0420	0.0420	135,625,776	0.0380	0.0380	96,580,112	0.0490	0.0490
	Debt Service	560,081,340	0.1530	0.1530	341,370	0.1530	0.1530	135,625,776	0.1530	0.1530	96,580,112	0.1530	0.1530
Maryland Heights Fire Prot Dist	General Revenue	257,306,180	0.6340	0.6340	7,340	0.6680	0.6680	286,964,348	0.7230	0.7230	158,816,138	0.8000	0.8000

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Maryland Heights Fire Prot Dist	Ambulance	257,306,180	0.3110	0.3110	7,340	0.3950	0.3950	286,964,348	0.3400	0.3400	158,816,138	0.3680	0.3680
	Pension	257,306,180	0.1030	0.1030	7,340	0.0950	0.0950	286,964,348	0.1180	0.1180	158,816,138	0.1300	0.1300
	Dispatch	257,306,180	0.0400	0.0400	7,340	0.0410	0.0410	286,964,348	0.0450	0.0450	158,816,138	0.0500	0.0500
Mehlville Fire Protection District	General Revenue	1,713,726,310	0.7120	0.3620	674,500	1.0800	0.7300	454,602,608	0.8110	0.4710	331,322,310	0.8970	0.5470
	Ambulance	1,713,726,310	0.1730	0.1000	674,500	0.3000	0.2200	454,602,608	0.1760	0.0960	331,322,310	0.2220	0.1220
	Pension	1,713,726,310	0.0750	0.0720	674,500	0.1000	0.1000	454,602,608	0.0770	0.0770	331,322,310	0.0960	0.0960
	Alarm Fund	1,713,726,310	0.0370	0.0250	674,500	0.0500	0.0200	454,602,608	0.0390	0.0250	331,322,310	0.0480	0.0220
Metro-North Fire Protection Dist	General Revenue	97,785,220	1.6098	1.6098 B	0	0.2500	0.0000 B	17,992,532	1.5399	1.5399 B	22,134,915	1.7410	1.7410 B
	Pension	97,785,220	0.2060	0.2060	0	0.0000	0.0000	17,992,532	0.2160	0.2160	22,134,915	0.2490	0.2490
	Dispatch	97,785,220	0.0250	0.0250	0	0.0000	0.0000	17,992,532	0.0230	0.0230	22,134,915	0.0300	0.0300
	Debt Service	97,785,220	0.3980	0.3980	0	0.3980	0.3980	17,992,532	0.3980	0.3980	22,134,915	0.3980	0.3980
Northeast Ambulance & FPD	General Revenue	154,032,420	1.1750	1.3300 D	16,560	1.2444	1.3864 D	37,820,045	1.5078	1.5000	37,500,503	1.5000	1.5000
	Ambulance	154,032,420	0.2350	0.2660 D	16,560	0.2440	0.2710 D	37,820,045	0.3000	0.3000	37,500,503	0.3000	0.3000
	Pension	154,032,420	0.0780	0.0890 D	16,560	0.0790	0.0890 D	37,820,045	0.1000	0.1000	37,500,503	0.1000	0.1000
	Dispatch	154,032,420	0.0390	0.0440 D	16,560	0.0370	0.0410 D	37,820,045	0.0500	0.0500	37,500,503	0.0500	0.0500
Pattonville Fire Protection Dist	General Revenue	147,682,860	0.8000	0.8000	367,170	0.9780	0.9780	494,116,250	0.9030	0.9030	177,866,078	0.9830	0.9830
	Ambulance	147,682,860	0.1970	0.1970	367,170	0.2490	0.2490	494,116,250	0.2300	0.2300	177,866,078	0.2500	0.2500
	Pension	147,682,860	0.1200	0.1200	367,170	0.1490	0.1490	494,116,250	0.1380	0.1380	177,866,078	0.1500	0.1500
	Dispatch	147,682,860	0.0400	0.0400	367,170	0.0500	0.0400	494,116,250	0.0460	0.0400	177,866,078	0.0500	0.0400
	Debt Service	147,682,860	0.0230	0.0230	367,170	0.0230	0.0230	494,116,250	0.0230	0.0230	177,866,078	0.0230	0.0230
Riverview Fire Protection District	General Revenue	114,606,210	1.2024	1.2024	2,590	1.4612	1.4612	17,368,900	1.4182	1.4182	25,822,600	1.4544	1.4544
	Pension	114,606,210	0.2070	0.2070	2,590	0.2500	0.2500	17,368,900	0.2440	0.2440	25,822,600	0.2500	0.2500
	Dispatch	114,606,210	0.0410	0.0400	2,590	0.0500	0.0400	17,368,900	0.0490	0.0400	25,822,600	0.0500	0.0400
	Debt Service	114,606,210	0.0740	0.0740	2,590	0.0740	0.0740	17,368,900	0.0740	0.0740	25,822,600	0.0740	0.0740
Robertson Fire Protection District	General Revenue	46,944,900	0.8300	0.8300	235,850	0.8900	0.8900	192,180,806	0.8870	0.8870	100,065,319	0.8900	0.8900
	Ambulance	46,944,900	0.5130	0.4850	235,850	0.5500	0.4850	192,180,806	0.5480	0.4850	100,065,319	0.5500	0.4850
	Pension	46,944,900	0.1870	0.1870	235,850	0.2000	0.2000	192,180,806	0.1990	0.1990	100,065,319	0.2000	0.2000
	Dispatch	46,944,900	0.0470	0.0470	235,850	0.0500	0.0500	192,180,806	0.0500	0.0500	100,065,319	0.0500	0.0500
	Debt Service	46,944,900	0.0980	0.0980	235,850	0.0980	0.0980	192,180,806	0.0980	0.0980	100,065,319	0.0980	0.0980
Spanish Lake Fire Protection Dist	General Revenue	157,193,700	0.9970	0.9970	104,670	1.2401	1.2401	30,203,632	1.0138	1.0138	29,787,532	1.2500	1.2500
	Pension	157,193,700	0.1200	0.1200	104,670	0.1500	0.1500	30,203,632	0.1220	0.1220	29,787,532	0.1500	0.1500
	Dispatch	157,193,700	0.0400	0.0400	104,670	0.0500	0.0500	30,203,632	0.0400	0.0400	29,787,532	0.0500	0.0500
	Debt Service	157,193,700	0.2090	0.1500	104,670	0.2090	0.1500	30,203,632	0.2090	0.1500	29,787,532	0.2090	0.1500
Valley Park Fire Protection Dist	General Revenue	154,134,390	0.6740	0.6740	159,860	0.6580	0.6580	48,207,945	0.6760	0.6760	47,409,946	0.8800	0.8800
	Ambulance	154,134,390	0.2300	0.2300	159,860	0.2250	0.2250	48,207,945	0.2290	0.2290	47,409,946	0.3000	0.3000
	Pension	154,134,390	0.0770	0.0770	159,860	0.0750	0.0750	48,207,945	0.0760	0.0760	47,409,946	0.1000	0.1000
	Dispatch	154,134,390	0.0230	0.0230	159,860	0.0220	0.0220	48,207,945	0.0230	0.0230	47,409,946	0.0300	0.0300

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Mid-County Fire Protection District	General Revenue	49,305,090	1.4750	1.4750	0	0.0000	0.0000	57,698,646	1.5609	1.5609	43,071,806	1.8500	1.8500
	Ambulance	49,305,090	0.1170	0.1170	0	0.0000	0.0000	57,698,646	0.1300	0.1300	43,071,806	0.1500	0.1500
	Pension	49,305,090	0.2130	0.2130	0	0.0000	0.0000	57,698,646	0.2160	0.2160	43,071,806	0.2500	0.2500
	Dispatch	49,305,090	0.0230	0.0230	0	0.0000	0.0000	57,698,646	0.0260	0.0260	43,071,806	0.0300	0.0300
	Debt Service	49,305,090	0.2970	0.2970	0	0.2970	0.2970	57,698,646	0.2970	0.2970	43,071,806	0.2970	0.2970
West Overland Fire Protection Dist	General Revenue	62,102,770	0.6050	0.6050	0	0.0000	0.0000	96,596,875	0.6210	0.6210	33,984,102	0.7100	0.7100
	Ambulance	62,102,770	0.5360	0.5360	0	0.0000	0.0000	96,596,875	0.5520	0.5520	33,984,102	0.6500	0.6500
	Pension	62,102,770	0.1280	0.1280	0	0.0000	0.0000	96,596,875	0.1310	0.1310	33,984,102	0.1500	0.1500
	Dispatch	62,102,770	0.0430	0.0430	0	0.0000	0.0000	96,596,875	0.0440	0.0440	33,984,102	0.0500	0.0500
	Debt Service	62,102,770	0.1400	0.1400	0	0.1400	0.1400	96,596,875	0.1400	0.1400	33,984,102	0.1400	0.1400
Black Creek Sewer	General Revenue	794,103,200	0.0770	0.0600	0	0.0000	0.0000	564,443,852	0.0910	0.0600	166,408,465	0.0950	0.0600
Black Jack-Dellwood Sewer	General Revenue	171,471,270	0.0790	0.0600	11,440	0.0400	0.0400	60,901,137	0.0890	0.0600	42,097,032	0.0980	0.0600
Clayton Central Sewer	General Revenue	40,782,870	0.0720	0.0600	0	0.0000	0.0000	294,551,496	0.0840	0.0600	43,629,482	0.0900	0.0600
Coldwater Creek Sewer	General Revenue	1,234,419,650	0.0800	0.0700	66,400	0.0770	0.0700	534,053,174	0.0940	0.0700	514,772,447	0.1000	0.0700
Creve Coeur-Frontenac Sewer	General Revenue	347,941,130	0.0640	0.0500	0	0.0000	0.0000	206,948,949	0.0610	0.0500	75,984,474	0.0760	0.0500
Deer Creek Sewer	General Revenue	2,677,462,290	0.0740	0.0600	205,480	0.0830	0.0600	1,000,822,391	0.0830	0.0600	439,988,656	0.0930	0.0600
Fountain Creek Sewer	General Revenue	115,302,650	0.1030	0.1000	0	0.0000	0.0000	23,145,567	0.1350	0.1000	22,205,445	0.1400	0.1000
Gravois Creek Sewer	General Revenue	1,118,878,290	0.0670	0.0600	313,810	0.1000	0.0600	462,490,081	0.0720	0.0600	235,500,516	0.0860	0.0600
Loretta-Joplin Sewer	General Revenue	23,556,210	0.0650	0.0600	0	0.0000	0.0000	2,052,134	0.0730	0.0600	4,963,459	0.0900	0.0600
Maline Creek Sewer	General Revenue	444,182,410	0.0790	0.0700	50,180	0.0800	0.0700	153,975,050	0.0950	0.0700	140,500,692	0.1000	0.0700
Marlborough Sewer	General Revenue	48,428,360	0.0470	0.0400	0	0.0000	0.0000	13,222,153	0.0510	0.0400	8,458,318	0.0580	0.0400
Meramec River Basin Sewer	General Revenue	2,227,896,220	0.0800	0.0700	958,500	0.1000	0.0700	732,416,632	0.0860	0.0700	550,722,056	0.1000	0.0700
Missouri River-Bonfils Sewer	General Revenue	159,708,320	0.0830	0.0700	135,320	0.1000	0.0700	505,026,587	0.0950	0.0700	213,336,498	0.1000	0.0700
North Affton Sewer	General Revenue	71,302,220	0.0640	0.0600	0	0.0000	0.0000	5,193,261	0.0690	0.0600	10,596,044	0.0850	0.0600
Paddock Creek Sewer	General Revenue	130,463,860	0.0710	0.0600	2,860	0.0700	0.0600	31,279,269	0.0860	0.0600	24,545,722	0.0990	0.0600
Seminary Branch RDP Sewer	General Revenue	252,764,050	0.0600	0.0600	0	0.0000	0.0000	49,717,997	0.0700	0.0600	42,102,350	0.0760	0.0600
Shrewsbury Branch RDP Sewer	General Revenue	23,456,410	0.0530	0.0500	0	0.0000	0.0000	4,688,106	0.0590	0.0560	4,519,689	0.0820	0.0600
Sugar Creek Sewer	General Revenue	296,312,560	0.0520	0.0520	130	0.0000	0.0000	39,133,490	0.0880	0.0700	47,230,043	0.0690	0.0690
University City Branch RDP Sewer	General Revenue	552,027,990	0.0710	0.0700	8,420	0.0000	0.0000	294,697,078	0.0830	0.0700	175,472,242	0.0940	0.0700
Upper Paddock Creek Sewer	General Revenue	30,907,870	0.0670	0.0600	1,470	0.0680	0.0600	6,057,471	0.0770	0.0600	5,557,844	0.0910	0.0600
Watkins Creek Sewer	General Revenue	135,192,160	0.0750	0.0600	7,550	0.0930	0.0600	35,074,945	0.0970	0.0600	29,785,069	0.0990	0.0600
Wedgewood Creek Sewer	General Revenue	27,868,920	0.0840	0.0600	0	0.0000	0.0000	15,087,576	0.0950	0.0600	8,641,297	0.1000	0.0600
Wellston Sewer	General Revenue	16,030,630	0.0970	0.0800	0	0.0000	0.0000	13,691,488	0.0910	0.0800	11,448,752	0.1000	0.0800
Hancock Street Light Dist St. Louis	General Revenue	49,784,400	0.1410	0.1410	0	0.0000	0.0000	14,294,470	0.1470	0.1470	14,173,410	0.2000	0.1700
Wheaton Cook Lyndhurst Light Dist	General Revenue	7,209,570	0.1530	0.1400	0	0.0000	0.0000	1,323,820	0.1590	0.1550	1,333,260	0.2000	0.1450
Castle Point Street Light District	General Revenue	7,187,780	0.1570	0.1570	0	0.0000	0.0000	246,240	0.1470	0.1470	1,437,840	0.1850	0.1850
Glasgow Village Street Light Dist	General Revenue	22,989,080	0.1340	0.1340	0	0.0000	0.0000	344,270	0.1000	0.1000	3,619,270	0.1580	0.1580

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Elmwood Park Street Light District	General Revenue	2,108,850	0.3350	0.3210	0	0.0000	0.0000	122,460	0.3470	0.3320	451,910	0.4000	0.4000
Clayton Special Business District	General Revenue	30,101,680	0.1020	0.0600	0	0.0000	0.0000	289,116,670	0.1210	0.0600	0	0.0000	0.0000
Maplewood Special Business District	General Revenue	455,260	0.2240	0.2240	0	0.0000	0.0000	19,108,340	0.2930	0.2930	0	0.0000	0.0000
University City Spec Bus Dist BD57	General Revenue	1,233,410	0.4910	0.4910	0	0.0000	0.0000	7,186,290	0.4610	0.4610	0	0.0000	0.0000
Webster Groves-Old Webster Bus Dis	General Revenue	265,230	0.3880	0.2900	0	0.0000	0.0000	12,503,950	0.2900	0.2900	0	0.0000	0.0000
Webster Groves-Old Orchard Bus Dis	General Revenue	182,710	0.5320	0.3600	0	0.0000	0.0000	8,405,430	0.5550	0.3600	0	0.0000	0.0000
Kirkwood Special Business District	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	29,849,520	0.4210	0.4210	0	0.0000	0.0000
Jennings Special Business District	General Revenue	45,480	0.4180	0.1700	0	0.0000	0.0000	2,333,450	0.4880	0.1700	0	0.0000	0.0000
Productive Living Board	General Revenue	14,884,282,790	0.0700	0.0700	6,918,180	0.0900	0.0850	5,622,356,435	0.0790	0.0790	3,705,380,253	0.0900	0.0850
Parkview Gardens Spec Bus Dist BD3	General Revenue	9,820,280	0.6400	0.6400	0	0.0000	0.0000	2,711,170	0.6330	0.6330	0	0.0000	0.0000
Crossroads Special Business Dist	General Revenue	0	0.0000	0.0000	0	0.0000	0.0000	3,895,730	0.5810	0.4000	0	0.0000	0.0000
Robinwood West Community Imp Dis	General Revenue	17,247,500	0.6400	0.6402 D	0	0.0000	0.0000	0	0.0000	0.0000	0	0.0000	0.0000
Crossings Community Imp District	General Revenue	0	2.0000	2.0000 A	0	2.0000	2.0000 A	1,790,600	2.0000	2.0000 A	0	2.0000	2.0000 A
Hazelwood R-I School District	Operating Funds-Schools	1,164,904,360	4.4140	4.1840	746,490	5.4094	5.1794	487,857,100	5.3313	5.1013	397,688,260	5.4050	5.1750
	Debt Service	1,164,904,360	1.3407	0.9400	746,490	1.3407	0.9400	487,857,100	1.3407	0.9400	397,688,260	1.3407	0.9400
Ferguson-Florissant R-II Sch Dist	Operating Funds-Schools	545,876,830	3.8933	3.8933	37,300	4.3716	4.3716	301,327,730	4.4172	4.4172	276,474,560	4.7400	4.7400
	Debt Service	545,876,830	0.3000	0.3000	37,300	0.3000	0.3000	301,327,730	0.3000	0.3000	276,474,560	0.3000	0.3000
Pattonville R-III School District	Operating Funds-Schools	465,799,320	3.0824	2.9383	200,000	4.0780	3.9339	711,084,290	3.4222	3.2781	310,610,980	3.9305	3.7864
	Debt Service	465,799,320	0.4900	0.4900	200,000	0.4900	0.4900	711,084,290	0.4900	0.4900	310,610,980	0.4900	0.4900
Kirkwood R-VII School District	Operating Funds-Schools	897,008,170	3.1151	3.0959	203,120	4.9439	4.8686	206,963,950	3.8958	3.7685	141,144,130	3.7875	3.2146
	Operating Funds-Temp	897,008,170	0.5286	0.5286 A	203,120	0.5286	0.5286 A	206,963,950	0.5286	0.5286 A	141,144,130	0.5286	0.5286 A
	Debt Service	897,008,170	0.3650	0.3650	203,120	0.3650	0.3650	206,963,950	0.3650	0.3650	141,144,130	0.3650	0.3650
Lindbergh R-VIII School District	Operating Funds-Schools	842,368,670	2.7500	2.7500	372,850	4.1500	4.0024	324,350,690	2.7500	2.7500	164,413,940	3.0444	2.8968
	Debt Service	842,368,670	0.3800	0.3800	372,850	0.3800	0.3800	324,350,690	0.3800	0.3800	164,413,940	0.3800	0.3800
Mehlville R-IX School District	Operating Funds-Schools	1,314,574,340	2.8014	2.8014	352,220	3.7500	3.7500	285,846,690	2.9152	2.9152	257,303,500	3.6248	3.6248
	Debt Service	1,314,574,340	0.4020	0.3400	352,220	0.4020	0.3400	285,846,690	0.4020	0.3400	257,303,500	0.4020	0.3400
Parkway C-2 School District	Operating Funds-Schools	2,884,655,750	3.4570	2.8900 B	1,656,050	3.8470	3.5600 B	1,127,167,490	3.6414	3.5600 B	609,645,410	3.7379	3.5600 B
	Debt Service	2,884,655,750	0.3400	0.3400	1,656,050	0.3400	0.3400	1,127,167,490	0.3400	0.3400	609,645,410	0.3400	0.3400
Aftton 101 School District	Operating Funds-Schools	305,263,130	4.6943	4.2230	0	0.0000	0.0000	69,935,100	5.0882	5.0872	58,999,170	5.5131	5.1431
Bayless School District	Operating Funds-Schools	137,873,780	2.7500	2.7500	0	2.7500	0.0000	13,322,160	2.9174	2.9174	24,109,040	3.8500	3.8500
	Debt Service	137,873,780	0.3900	0.3900	0	0.3900	0.3900	13,322,160	0.3900	0.3900	24,109,040	0.3900	0.3900
Brentwood School District	Operating Funds-Schools	156,232,780	2.6200	2.5324	0	0.0000	0.0000	95,991,850	3.1291	3.0415	46,087,740	3.3915	3.3039
	Debt Service	156,232,780	0.2440	0.2100	0	0.2440	0.2100	95,991,850	0.2440	0.2100	46,087,740	0.2440	0.2100
Clayton School District	Operating Funds-Schools	503,874,480	2.9339	2.8900 D	0	0.0000	0.0000	438,658,600	3.2687	3.2271 D	103,682,920	3.4726	3.4334 D
	Debt Service	503,874,480	0.3820	0.3640	0	0.3820	0.3640	438,658,600	0.3820	0.3640	103,682,920	0.3820	0.3640
Hancock Place School District	Operating Funds-Schools	48,110,720	3.0708	3.0708	0	0.0000	0.0000	11,545,560	3.8930	3.8930	14,021,370	4.3000	4.3000
	Debt Service	48,110,720	1.1982	1.0100	0	1.1982	1.0100	11,545,560	1.1982	1.0100	14,021,370	1.1982	1.0100

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied
Jennings School District	Operating Funds-Schools	77,162,060	3.7825	3.7825	0	0.0000	0.0000	15,302,290	5.5500	5.5500	28,728,320	4.8034	4.8034
	Debt Service	77,162,060	0.5760	0.5760	0	0.5760	0.5760	15,302,290	0.5760	0.5760	28,728,320	0.5760	0.5760
Ladue School District	Operating Funds-Schools	1,134,217,910	2.7500	2.7500	10,910	2.7500	2.7500	241,851,830	2.7500	2.7500	143,868,510	2.7500	2.7500
	Debt Service	1,134,217,910	0.2300	0.2300	10,910	0.2300	0.2300	241,851,830	0.2300	0.2300	143,868,510	0.2300	0.2300
Maplewood-Richmond Heights SD	Operating Funds-Schools	186,024,300	2.8946	2.8946	0	0.0000	0.0000	62,557,610	3.4358	3.4358	37,299,660	4.2458	4.2458
	Debt Service	186,024,300	0.7490	0.7490	0	0.7490	0.7490	62,557,610	0.7490	0.7490	37,299,660	0.7490	0.7490
Normandy School District	Operating Funds-Schools	185,092,400	3.6980	3.4704	16,560	3.8554	3.6278	45,894,040	4.4061	4.1785	54,109,110	4.6600	4.4324
	Debt Service	185,092,400	1.8987	1.7314	16,560	1.8987	1.7314	45,894,040	1.8987	1.7314	54,109,110	1.8987	1.7314
Ritenour School District	Operating Funds-Schools	312,514,670	3.0860	3.0288	0	0.0000	0.0000	191,257,430	3.6495	3.6495	135,089,170	4.0492	4.0492
	Debt Service	312,514,670	0.7890	0.7100	0	0.7890	0.7100	191,257,430	0.7890	0.7100	135,089,170	0.7890	0.7100
Riverview Gardens School District	Operating Funds-Schools	208,664,740	3.5622	3.7596	2,590	4.3500	4.3500	23,248,800	3.7860	4.0188	43,490,990	4.1177	4.1177
	Debt Service	208,664,740	1.4608	1.4608	2,590	1.4608	1.4608	23,248,800	1.4608	1.4608	43,490,990	1.4608	1.4608
University City School District	Operating Funds-Schools	507,599,670	3.7487	3.2951	0	0.0000	0.0000	61,335,690	3.9880	3.4960	71,321,120	5.1824	4.5371
	Debt Service	507,599,670	0.7380	0.7380	0	0.7380	0.7380	61,335,690	0.7380	0.7380	71,321,120	0.7380	0.7380
Valley Park School District	Operating Funds-Schools	91,456,760	3.6751	3.6751	7,740	4.6500	4.6500	32,888,970	3.6788	3.6788	33,201,360	4.6500	4.6500
	Debt Service	91,456,760	0.4560	0.4560	7,740	0.4560	0.4560	32,888,970	0.4560	0.4560	33,201,360	0.4560	0.4560
Webster Groves School District	Operating Funds-Schools	591,764,970	4.0069	4.0069	0	0.0000	0.0000	82,903,800	4.0105	4.0105	80,595,810	4.8889	4.8889
	Debt Service	591,764,970	0.5600	0.5600	0	0.5600	0.5600	82,903,800	0.5600	0.5600	80,595,810	0.5600	0.5600
Wellston School District	Operating Funds-Schools	4,669,600	5.6674	5.6384	0	0.0000	0.0000	9,643,440	4.5835	5.2929	7,436,600	5.6700	5.6700
St. Louis County	General Revenue	14,884,282,790	0.2190	0.1900	6,894,230	0.3500	0.1900	5,622,356,435	0.2510	0.1900	3,705,380,253	0.2810	0.1900
	Parks & Recreation	14,884,282,790	0.0550	0.0500	6,894,230	0.0700	0.0500	5,622,356,435	0.0620	0.0500	3,705,380,253	0.0700	0.0500
	Road & Bridge	14,884,282,790	0.1410	0.1050	6,894,230	0.1800	0.1050	5,622,356,435	0.1580	0.1050	3,705,380,253	0.1800	0.1050
	Health	14,884,282,790	0.1870	0.1500	6,894,230	0.3000	0.1500	5,622,356,435	0.2160	0.1500	3,705,380,253	0.2410	0.1500
	Debt Service	14,884,282,790	0.0940	0.0630	6,894,230	0.0940	0.0630	5,622,356,435	0.0940	0.0630	3,705,380,253	0.0940	0.0630

LISTING OF 2007 TAX RATES FOR LOCAL GOVERNMENTS LEVYING A SEPARATE TAX RATE FOR EACH SUBCLASS OF PROPERTY

Political Subdivision	Purpose	Residential Real Estate			Agricultural Real Estate			Commercial Real Estate			Personal Property		
		Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied	Assessed Value	Ceiling	Levied

LEGEND:

- A A new voter approved tax rate, newly formed district, or a levy voted to replace an expired levy, see Report No. 2006-88.
 B A voter approved increase to an existing levy, see Report No. 2006-88.
 C Levy includes a recoupment rate authorized by state law.
 D Levied a tax rate in excess of the legally permissible tax levy as provided by state law, see Report No. 2006-88.

NOTE:

This Appendix contains levy information for political subdivisions wholly in St. Louis County and the City of Gladstone in Clay County. Previous legislation required taxing authorities wholly in St. Louis County and allowed the City of Gladstone in Clay County to calculate a separate tax rate on each subclass of property. Political subdivisions partially in St. Louis County and partially in another county(ies) were also required by previous legislation to levy a single rate on all property when one or more counties opted in and one or more counties opted out of the provisions requiring the multi rate calculation. See Appendix VII for a listing of 2008 and 2007 taxing authorities that calculated a single tax rate to apply to all property.

All rates in the levied column represent the rate extended and certified to the State Auditor's Office by both taxing authority and the county or counties in which the tax rate is levied.

Assessed Value column presents only the assessed valuation that the property tax is levied against.



Susan Montee, CPA
Missouri State Auditor

OFFICE OF ATTORNEY GENERAL

Medicaid Fraud Control Unit



December 2008
Report No. 2008-100

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following report is our audit of the Office of Attorney General, Medicaid Fraud Control Unit.

The State Auditor is required by state law to conduct an audit of the Medicaid Fraud Control Unit (MFCU) "...to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office." The MFCU needs to ensure all required information required by state law is included and accurately reported in its annual report submitted to the General Assembly and Governor. In 2007, the MFCU collected almost \$6.4 million.

The MFCU reported 110 referrals that resulted in an official complaint and/or case; however, records indicated an official complaint/case was not opened for over 200 additional referrals which were not reported. State law provides the number of referrals received by the office "due to allegations of violations" be reported. All referrals, whether the referral results in a complaint/case or not, should be reported. Since the MFCU must expend time and effort to evaluate each referral, not including all referrals minimizes the MFCU's efforts.

The report does not separately indicate the total amount of overpayments identified as a result of completed investigations. The overpayments reported include applicable damages ordered by the court. Additionally, the report does not specify whether such repayment is to be made by lump sum or in installments and only includes the total installment amount remaining outstanding for the year. The amount of damages and restitution due to other entities is not separately identified.

The report does not include the total amount of monies actually collected for the year and does not separately report whether monies collected by the MFCU are retained by the state or remitted to the federal government based on an allocation process, or for multi-state cases, the amount of the federal portion remitted directly to the federal government.

The report does not include the number of arrests resulting from investigations completed during the year and the number of criminal cases reported as initiated in 2007 was incorrect.

The MFCU needs to improve its internal controls, procedures and records. There is no initial record of the receipt of monies, a summary listing of accrued costs is not maintained, the beginning balance of accrued costs plus new costs less payments is not reconciled to the individual case records on a monthly basis, and written collection procedures have not been established. Not adequately monitoring accrued costs could

(over)

YELLOW SHEET

allow these costs to remain uncollected, resulting in lost revenue to the state and federal governments.

The MFCU does not have one comprehensive database to account for all referrals received. Currently, three separate databases are maintained and these databases are not linked with each other. The use of three databases results in additional manual data entry, as well as some duplication of effort. In addition, because certain information needs to be recorded on all databases, the databases are not always updated on a timely basis. Also, the MFCU does not account for the sequential number assigned to referrals recorded in the hotline database.

All reports are available on our Web site: www.auditor.mo.gov

OFFICE OF ATTORNEY GENERAL
MEDIAID FRAUD CONTROL UNIT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Honorable Jeremiah W. (Jay) Nixon, Attorney General
Jefferson City, Missouri

We have audited the Office of Attorney General, Medicaid Fraud Control Unit, as required by Section 191.909.1, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Determine the amount of money recovered by the unit.
2. Determine the amount of money invested in the unit.
3. Determine if the unit has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of grant agreement or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the Medicaid Fraud Control Unit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Attorney General, Medicaid Fraud Control Unit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Heather Stiles, CPA
Audit Staff:	Ashley Lee

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF ATTORNEY GENERAL
MEDICAID FRAUD CONTROL UNIT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Annual Report
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The Medicaid Fraud Control Unit's (MFCU) annual report did not include some information required by state law. We compared the information included in this report to the statutory requirements. In addition, we reviewed the supporting documentation to ensure the report information was complete and accurate.

Starting in 2008, pursuant to Section 191.909.1, RSMo, the Attorney General's office is to report annually, by January 1 of each year, the following activities related to the MFCU:

- "(1) The number of provider investigations due to allegations of violations under sections 191.900 to 191.910 conducted by the attorney general's office and completed within the reporting year, including the age and type of cases;
- (2) The number of referrals due to allegations of violations under sections 191.900 to 191.910 received by the attorney general's office;
- (3) The total amount of overpayments identified as the result of completed investigations;
- (4) The amount of fines and restitutions ordered to be reimbursed, with a delineation between amounts the provider has been ordered to repay, including whether or not such repayment will be completed in a lump sum payment or installment payments, and any adjustments or deductions ordered to future provider payments;
- (5) The total amount of monetary recovery as the result of completed investigations;
- (6) The total number of arrests, indictments, and convictions as the result of completed investigations."

Additionally, the state auditor is required to conduct an audit of the MFCU "... to quantitatively determine the amount of money invested in the unit and the amount of money actually recovered by such office."

For the year ended December 31, 2007, the MFCU recovered the following funds:

Federal	\$	409,442	(1)
State		5,989,648	(2)
Federal direct		7,710,035	(3)
Total	\$	<u>14,109,125</u>	

(1) Federal government's share of the funds recovered by the unit. This amount includes \$6,228 for court ordered reimbursement of the unit's investigation costs.

(2) State's share of the funds recovered by the unit and from multi-state cases. This amount includes \$3,802 for court ordered reimbursement of the unit's investigation costs.

(3) This amount includes the federal government's share of multi-state settlements, which is remitted directly to the federal government by the multi-state trustee.

For the year ended December 31, 2007, the costs incurred to operate the MFCU were:

Salaries and wages	\$	809,147	
Fringe benefits		346,142	
Travel, in-state		5,648	
Travel, out-of-state		20,488	
Supplies		25,417	
Professional development		10,685	
Communication services and supplies		12,922	
Professional services		103,550	
Maintenance and repair services		13,066	
Computer equipment		3,238	
Office equipment		625	
Miscellaneous expenses		2,573	
Program distributions		144	
Building lease payments		55,284	
Total	\$	<u>1,408,929</u>	(4)

(4) In 2007, funding of these costs included federal reimbursement of \$1,204,482, federal indirect reimbursement of \$143,526, and National Association of Attorney Generals reimbursement of \$5,670. The remaining balance of \$55,251 was incurred by the state.

The following concerns were noted:

- A. The report did not include some referrals the MFCU received. The MFCU only reported the 110 referrals that resulted in an official complaint and/or case. The MFCU receives referrals related to Medicaid fraud and abuse or neglect from many sources, including the Department of Social Services (DSS), other state agencies, the federal government, and the general public. These referrals are reviewed to determine if they are from a credible source, can be substantiated, and are substantial in nature. If a referral is deemed to meet these criteria, a complaint is opened and an investigator is assigned to gather additional information about the complaint. If the MFCU determines legal action is required for the complaint, a case is opened and an attorney is assigned to the case.

For 2007, the MFCU's records indicated an official complaint/case was not opened for over 200 additional referrals. MFCU personnel indicated including referrals in the report which did not result in a complaint/case might be misleading.

State law provides the number of referrals received by the office "due to allegations of violations" be reported. It appears all referrals, whether the referral results in a complaint/case or not, should be reported. Since the MFCU must expend time and effort to evaluate each referral, not including all referrals minimizes the MFCU's efforts.

The MFCU should report all referrals, and may want to consider reporting additional information, including the number of, and reasons why referrals did not result in a complaint/case.

- B. The report does not separately indicate the total amount of overpayments identified as a result of completed investigations. The overpayments reported include applicable damages ordered by the court.

The MFCU has defined overpayments as the difference between the amount the state paid and the amount the state should have paid. According to state law, any person convicted of Medicaid fraud is, "... required to make restitution to the federal and state governments in an amount at least equal to that unlawfully paid to or by the person." Typically, restitution is the amount identified as the overpayment. Depending on the level of fraud, the damages can be up to three times the amount of overpayment.

The MFCU should report the overpayment/restitution amounts and damages separately.

- C. As noted above, the report does not separate the amount of restitution and damages ordered to be paid the MFCU, and also does not specify whether such repayment is to be made by lump sum or in installments. The report only includes the total installment amount remaining outstanding for the year. In addition, the amount of damages and restitution due to other entities is not separately identified. For example, restitution and damages may be ordered to be paid to a nursing home when theft of patient funds have occurred. There would be greater transparency and accountability if monies ordered paid to other entities is separately identified in the report.

The MFCU should report the court ordered amount of restitution and damages and whether these amounts were lump sum or installment payments. Additionally, the MFCU should separately identify whether the restitution and damages were ordered paid to the state or other entities.

- D. The report does not include the total amount of monies actually collected for the year. The report only includes the amount of overpayments identified and the amount of restitution and damages ordered by the court.

In addition, the MFCU does not separately report whether monies recovered (collected) by the MFCU are retained by the state or remitted to the federal government based on an allocation process, or for multi-state cases, the amount of the federal portion remitted directly to the federal government.

The MFCU should report the total amount of monies collected during the year, including installment payments collected on cases settled in both the current and previous years. In addition, for greater transparency and accountability, the MFCU should consider reporting the amount of money 1) retained by the state, 2) required to be paid to the federal government, and 3) paid directly to the federal government from multi-state cases.

- E. The report does not include the number of arrests resulting from investigations completed during the year. Additionally, the number of criminal cases reported as initiated in 2007 was not correct. The report indicated seven criminal cases were initiated, however, our review of supporting documentation found only three criminal cases had been initiated.

According to the MFCU Director, arrest information was not included in the report because the MFCU does not have the authority to make arrests. The arrest of individuals and prosecution of criminal cases resulting from the MFCU's investigations are handled by local law enforcement and prosecuting attorneys.

The MFCU needs to coordinate with local law enforcement and prosecuting attorneys to accumulate the arrest information needed for the annual report.

The MFCU needs to ensure all required information required by Section 191.909.1, RSMo, is included and accurately reported in its annual report submitted to the General Assembly and Governor.

WE RECOMMEND the MFCU:

- A. Include all referrals received in the annual report. In addition, the MFCU should consider reporting the reasons why referrals did not result in a complaint/case.
- B. Separately account for the amount of overpayments/restitution identified and court ordered damages related to completed investigations in the annual report.
- C. Report whether the court ordered restitution and damages are to be repaid by lump sum payments or in installments. In addition, the MFCU should consider separately identifying whether the restitution and damages were ordered paid to the state or other entities.

- D. Include the total amount of monies collected during the year in the report. The MFCU should also consider separately identifying the amounts paid to the state and federal governments.
- E. Obtain arrest information from local law enforcement and prosecuting attorneys to include in the report and ensure criminal case information included in the report is accurate.

AUDITEE'S RESPONSE

- A. *The Attorney General's Office is required to report the number of referrals due to allegations reviewed each year. The MFCU did not previously count hotlines as referrals. The prior practice was a "hotline" had to be substantive-credible before being counted as a referral. While each hotline is investigated, often times a limited, initial inquiry results in a determination that the allegation does not warrant further investigation, and therefore it was not counted.*

All hotlines are entered into the referral database and are reviewed. After the initial investigation the hotline is then closed, referred or opened into a complaint for further investigation. The MFCU will agree to include the hotlines in the number of referrals reported, if any investigative effort is made on that hotline. The MFCU does not believe it is statutorily obligated or that it is appropriate to report why a hotline was closed without being made into complaint or case.

- B. *The MFCU does keep a record of the amount of overpayments. The MFCU will comply with this recommendation and segregate restitution from damages if possible.*
- C. *The MFCU will identify whether the monies collected are lump sum and/or installment payments. There are very limited instances where monies are ordered to be paid directly to other entities and if these instances arise in the future, it will be specifically identified in the report.*
- D. *The MFCU will report the amount collected by the unit, including the installment payments received from current and previous settlements or Court orders. The MFCU does not report the breakdown of the State share and/or Federal share on any of the reports, as we often do not possess complete information. The Department of Social Services (DSS), Division of Budget and Finance, ultimately makes that determination and the MFCU only reports what it delivers to DSS.*
- E. *The MFCU will report arrest information for cases in which the MFCU continues to have involvement. In some instances, the local prosecuting authority determines to handle the case without MFCU involvement and the MFCU will continue, as it has in the past, to request that the prosecutor keep the MFCU apprised of the status of the case.*

Reporting requirements for prosecuting authorities and police agencies are delineated by statute and regulation. It is beyond the authority of the MFCU to require agencies to

report arrest information. Additionally, in arrests resulting from the issuance of a warrant, it is possible for the arrest to be made by any agency with arrest powers, including those that have no knowledge that the warrant resulted from an MFCU investigation. This would make "coordination" with the arresting agency difficult.

2.

Internal Controls, Procedures, and Records

The MFCU needs to improve its internal controls, procedures and records. There is no initial record of the receipt of monies and accrued costs procedures and records are not adequate. In addition, there is not a comprehensive database to account for referrals and the sequential number assigned to referrals recorded in the hotline database is not accounted for.

- A. There is no initial record of the receipt of monies. The MFCU does not maintain a receipt log and/or issue prenumbered receipt slips. Monies received are recorded in the individual computerized and manual case file. All monies received are remitted to the DSS for deposit in the state treasury. In 2007, the MFCU collected almost \$6.4 million.

To safeguard against possible loss or misuse of funds and to provide reasonable assurance that all transactions are properly accounted for, a receipt log should be maintained or prenumbered receipt slips should be issued for all monies received. Additionally, the MFCU should also establish procedures to reconcile the receipt log and/or receipt slips to the transmittal memos issued to DSS.

- B. The MFCU's procedures and records related to accrued costs (outstanding court ordered restitution and damages) need to be improved. A summary listing of accrued costs is not maintained and the beginning balance of accrued costs plus new costs less payments is not reconciled to the individual case records on a monthly basis. In addition, written collection procedures have not been established.

Upon our request, the MFCU prepared a listing of accrued costs as of December 31, 2007. The listing consisted of 22 cases with accrued costs totaling approximately \$2.4 million. No payment had been received in over two years for six of these cases, with accrued costs totaling over \$509,000. Not adequately monitoring accrued costs could allow these costs to remain uncollected, resulting in lost revenue to the state and federal governments.

According to MFCU personnel, if payments are not made for a period of time, the MFCU will refer the case to the Attorney General's Financial Services Division for assistance in collection. The MFCU also has the option to garnish the individual's wages if employment is known. Additionally, the individual's probation officer may contact the MFCU to ensure restitution has been paid. The

MFCU needs to document its collection procedures to ensure all available collection efforts are pursued on a timely basis.

Month-end summary listings of accrued costs reconciled to the individual case records would allow the MFCU to more readily review the amounts due, take appropriate steps to ensure amounts owed are collected timely, and evaluate if amounts are uncollectible. The MFCU should also establish written collection procedures.

- C. The MFCU does not have one comprehensive database to account for all referrals received. Currently, three separate databases are maintained and these databases are not linked with each other. Although most referrals received are recorded on the hotline database, referrals from certain entities and referrals which are opened directly into a complaint or case are recorded in the case log database. Additionally, information received through the mail, email, or fax is recorded on the correspondence received database. The use of three databases results in additional manual data entry, as well as some duplication of effort. Also, because certain information needs to be recorded on all databases, the databases are not always updated on a timely basis.

Maintaining three separate databases appears to be inefficient, increases the risk of inaccurate records, and decreases the MFCU's ability to ensure appropriate actions have been taken for each referral received.

Utilization of one complete comprehensive database would help ensure all referrals received are accounted for and addressed in a timely fashion, and would reduce the risk of inaccurate and duplicative records.

- D. The MFCU does not account for the sequential number assigned to referrals recorded in the hotline database. During 2007, over 300 numbers were assigned to referrals recorded on the database. However, 63 numbers and related information were missing from the database, with 35 of these missing numbers in one consecutive block.

All referrals recorded in the hotline database are assigned a sequential number by the database. If a hotline entry is cancelled for some reason during the entry process, the database will assign the next sequential number, thus skipping numbers. The MFCU does not document the reasons why the hotline entry was cancelled or otherwise account for the missing referral numbers.

Without a proper accounting for the numerical sequence and ultimate disposition of hotline referral numbers, the MFCU cannot be assured that all referrals received were recorded and handled properly.

WE RECOMMEND the MFCU:

- A. Maintain a receipt log or issue prenumbered receipt slips for all monies received. The MFCU should also establish procedures to reconcile the receipt log and/or receipt slips to the transmittal memos issued to DSS.
- B. Prepare month-end summary listings of accrued costs and reconcile the balance to the individual case records. Also, formal written collection procedures should be established.
- C. Maintain one comprehensive database to account for all referrals received.
- D. Account for the sequential numbers assigned to the referrals recorded on the hotline database and document the reasons for missing numbers.

AUDITEE'S RESPONSE

- A. *There is an initial and complete record for monies received by the MFCU. All monies that are received by the MFCU are entered into the caselog database under the respective case/complaint name. If the monies received pertain to an installment payment, it is entered onto a ledger sheet contained in a ledger book for that respective case/complaint. For all monies received by the MFCU, a receipt is prepared and it and the monies are hand delivered to the Department of Social Services, Division of Budget and Finance. A designated employee of the Department of Social Services, Division of Budget and Finance, signs the receipt and acknowledges receipt of the monies. A copy of the receipt is then placed in the respective case/complaint file and also placed in a file cabinet next to the administrative secretary which contains copies of all convictions/settlements.*

The MFCU will reconcile the receipt slips with the Department of Social Services, Division of Budget and Finance.

- B. *The MFCU maintains ledgers on all individuals that are making installment payments and those ledger sheets are reconciled after each payment is received. The MFCU has collection procedures in place and will put them in writing.*
- C. *The MFCU does have a complete comprehensive database for all referrals. Each referral is investigated and closed, referred or opened into a case or complaint. Each database has a specific purpose and controls specific information.*
- D. *The referral database uses a sequential number as the hotline identification (ID); the hotline ID number identifies a hotline referral. The referral database automatically, without any user intervention, assigns a new hotline ID number to each hotline entered. If an entry problem occurs the attempted entry may need to be deleted and reentered. Once a reentry occurs, a new hotline ID number is automatically assigned and a gap will occur in the hotline ID sequential numbering process. While the sequential numbering*

has no importance to the MFCU other than it creates a unique identifier for every hotline referral, the referral database will maintain a record of all referrals deleted from the database, the date of deletion and an explanation.

HISTORY AND ORGANIZATION

OFFICE OF ATTORNEY GENERAL
MEDICAID FRAUD CONTROL UNIT
HISTORY AND ORGANIZATION

The Attorney General's office is located in Jefferson City. There are branch offices in Kansas City, St. Louis, Springfield, and Cape Girardeau. The office is organized into eight divisions: Agriculture and Environment, Consumer Protection, Criminal, Financial Services, Governmental Affairs, Labor, Litigation, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division.

The Medicaid Fraud Control Unit (MFCU) is organizationally located within the Public Safety Division, and was created in 1994.

The MFCU conducts a statewide program for the investigation and prosecution of health care providers that defraud the Medicaid program. Additionally, the MFCU reviews complaints of abuse or neglect of nursing home residents and may review complaints of the misappropriation of patients' private funds in these facilities. The MFCU is also charged with investigating fraud in the administration of the Medicaid program and providing for the collection or referral for collection to the state Medicaid agency, the Department of Social Services (DSS). Referrals are received from the DSS's Program Integrity Unit and Investigations Unit, other state agencies, and federal agencies. Additionally, the MFCU initiates its own investigation.

The MFCU operates under the administrative oversight of the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS), and must be recertified annually by the OIG. To receive certification, the MFCU must be separate and distinct from the state Medicaid agency (DSS). Federal regulations also prohibit 1) any official from DSS from having authority to review or overrule activities of the MFCU, 2) the MFCU from receiving funds from the DSS, 3) the MFCU from pursuing recipient fraud, unless there is a conspiracy with a provider, and 4) the MFCU from engaging in the routine computer screening activities that are the usual monitoring function of DSS. In addition, the MFCU is required to enter into a Memorandum of Understanding (MOU) with the DSS which outlines each agency's responsibilities and duties to each other. An annual federal grant from HHS reimburses 75 percent of the MFCU's expenses, with the state paying the remaining 25 percent of expenses.

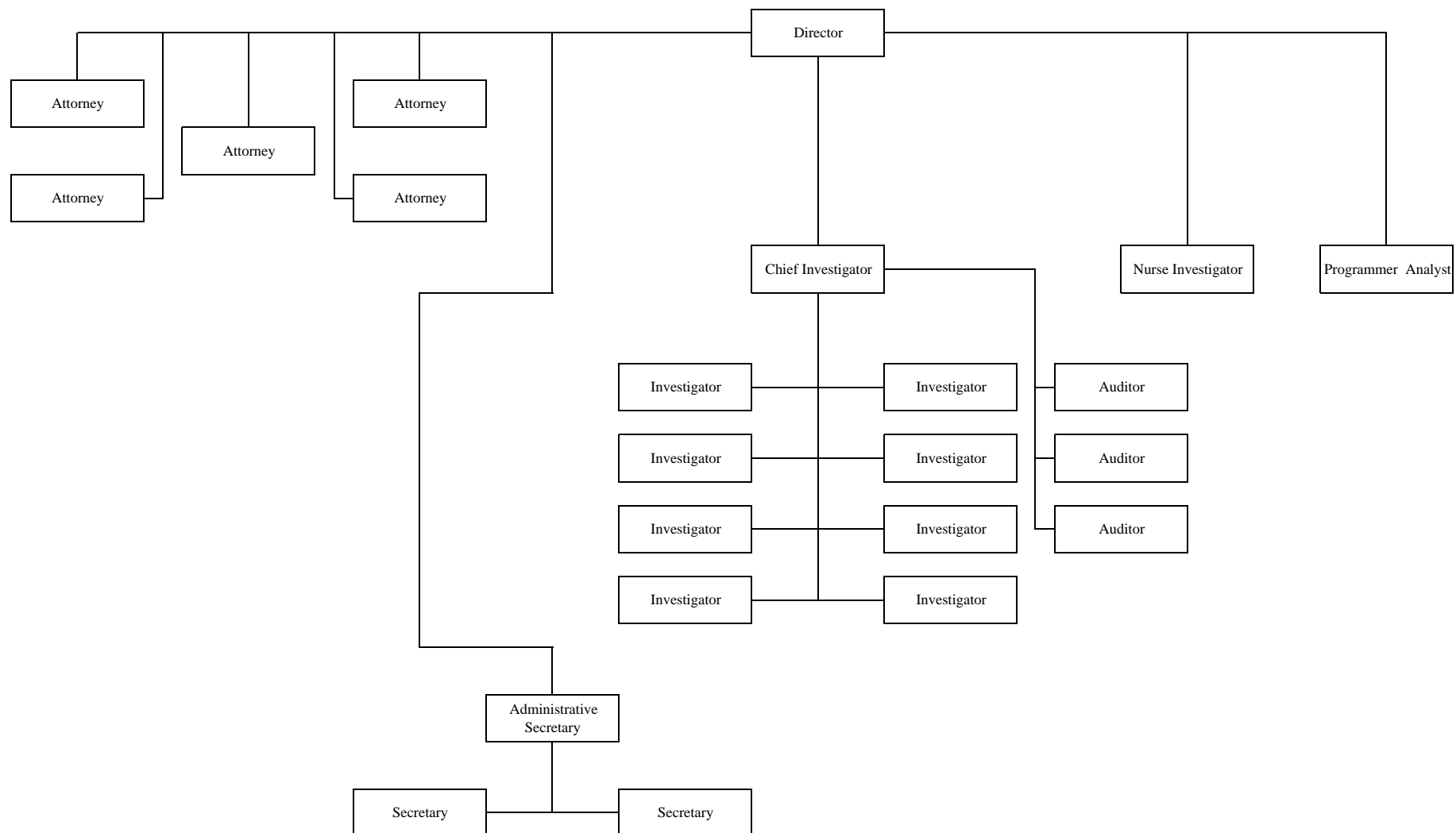
Section 191.905.11, RSMo, provides restitution monies recovered by the MFCU be deposited to the MO HealthNet Fraud Reimbursement Fund and appropriated to the federal government and affected state agency(s) to refund monies falsely obtained from the federal and state agency(s). For federal fiscal year 2007, monies collected were distributed between the federal and state at a rate of 61.6 percent and 38.4 percent, respectively. These rates changed in federal fiscal year 2008 to 62.42 percent and 37.58 percent, respectively. Any monies remaining in this fund after appropriation to the federal government and state agency(s) are to be used to increase the MO HealthNet provider reimbursement until it is at least one hundred percent of the Medicare provider reimbursement rate for comparable services. Any cost reimbursements for the investigation and/or prosecution of the Medicaid fraud are to be deposited to the MO HealthNet Fraud Prosecution Revolving Fund. These monies may be appropriated to the Attorney General,

or to any prosecuting or circuit attorney who has successfully prosecuted and been awarded such costs of prosecution.

At December 31, 2007, the Office of Attorney General, Medicaid Fraud Control Unit employed 22 full-time employees.

An organization chart follows:

OFFICE OF ATTORNEY GENERAL
 MEDICAID FRAUD CONTROL UNIT
 ORGANIZATION CHART
 DECEMBER 31, 2007





Susan Montee, CPA
Missouri State Auditor

Bollinger County



December 2008
Report No. 2008-99

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following findings were included in our audit report on Bollinger County:

The General Revenue Fund remains in weak financial condition. The cash balance of the General Revenue Fund at December 31, 2007, was \$56,818. To improve the financial situation, the county voters approved a new general purpose sales tax without a roll back provision; however, the legality of this sales tax is questionable.

The county voters have authorized under Section 67.547, RSMo, three separate sales tax levies totaling 1 1/8 percent, which appear to exceed the allowable statutory maximum. An Attorney General's Opinion states that a county cannot enact a sales tax that exceeds 1/2 percent under this state law. In addition, the county did not rollback the General Revenue property tax rate sufficiently as required by law.

Property tax system procedures and controls are not sufficient. The County Clerk does not maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements.

The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to cash balances. A comparison of the February 28, 2008, reconciled bank balance to a listing of identified liabilities showed an unidentified balance of approximately \$10,900 in the County Collector's account. The annual settlements filed for the years ended February 28, 2008 and 2007, contained errors in amounts reported, which resulted in the amount reported as distributions exceeding collections. In addition, the 2008 and 2007 settlements showed tax book differences of \$2,057 and \$102,356, respectively. The County Collector was not aware that a school district in the county qualified for Proposition C withholdings and did not perform the necessary calculations. As a result, the county's Assessment Fund and General Revenue Fund received less withholdings and commissions than allowed.

Centralized records of time sheets and vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Time sheets are not prepared by some employees and some time sheets are not signed by a supervisor. The county has not established a written policy allowing the use of county vehicles for commuting purposes and requiring detailed logs which distinguish between business and personal usage. The Road and Bridge Supervisor uses a county vehicle for commuting and this benefit is not reported on his W-2 form. In addition, payments to sheriff's deputies serving as guards are not processed through the county's payroll system.

(over)

YELLOW SHEET

The county did not solicit bids or perform other price comparison procedures for some purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts or inquiries) or reasons to support sole source purchase determinations.

Archive Board minutes document motions made, but do not record who made or seconded the motion or votes taken. In addition, the board minutes are not signed by the Board Secretary or the Board President to attest to the completeness and accuracy. As a result of poor controls over receipts, the Archive Board did not realize that \$203 in receipts were missing. Prenumbered receipt slips are not issued nor are monies consistently recorded on the ledger, the method of payment is not indicated on the ledger, and the composition of receipts is not reconciled to the composition of deposits and transmittals. Some monies received are not deposited intact or in a timely manner. In addition, some monies received are withheld from deposits to make purchases. Bank reconciliations are not performed and bank statements for December 2007 and December 2006 could not be located. In addition, the Archive Board's check register does not contain the necessary information, such as check numbers, to reconcile the bank account. The Archive Board does not maintain supporting documentation for some disbursements.

Also included in the report are recommendations related to written contracts, fuel and vehicle controls and procedures, and the Prosecuting Attorney's and Senate Bill 40's accounting controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

BOLLINGER COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bollinger County

We have audited certain operations of Bollinger County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan, CPA, PC, Certified Public Accountants, has been engaged to audit the financial statements of Bollinger County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed

and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Bollinger County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie M. Moore
Audit Staff:	Matt Schulenberg
	Emily Bias

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BOLLINGER COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County's Financial Condition and Sales Tax
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The General Revenue Fund remains in weak financial condition. In addition, the county has authorized sales tax rates which exceed the maximum allowable and has not sufficiently reduced its general revenue property tax levy for the sales taxes with rollback requirements.

- A. As noted in our prior reports, Bollinger County's General Revenue Fund is in weak financial condition. The following chart shows receipts, disbursements, and cash balances for the 2 years ended December 31, 2007:

Cash Balance, January 1, 2005	\$ 18,259
Receipts	1,420,914
Disbursements	<u>(1,417,463)</u>
Cash Balance, December 31, 2006	21,710
Receipts	1,389,544
Disbursements	<u>(1,354,436)</u>
Cash Balance, December 31, 2007	\$ <u><u>56,818</u></u>

The county has made some improvement; however, part of this improvement was due to authorizing a sales tax levy for general purposes that may not be allowable (see part B below) and not sufficiently rolling back the property tax levy in 2007 (see part C below). In April 2007, the citizens approved a new sales tax under Section 67.547, RSMo, which does not require a roll back of property taxes and should increase receipts of the county; however, the legality of this sales tax is still questionable (see part B below). The 2008 budget reflects an estimated ending cash balance of \$55,151.

The County Commission should closely monitor the financial condition of the General Revenue Fund by reviewing disbursements and reducing discretionary amounts as much as possible.

A similar condition was noted in our prior reports.

- B. The county voters have authorized three separate sales tax levies under Section 67.547, RSMo, and the total sales tax rate imposed under this section appears to exceed the allowable statutory maximum.
- In April 1989, voters approved a 1/2 percent general sales tax levy. This sales tax does not have a rollback provision. Under this tax, the General Revenue Fund received approximately \$303,000 in 2007.

- In April 2003, voters approved a 1/2 percent sales tax levy for replacing the roof at the courthouse and the sheriff's office, repairing the courthouse, and retiring county debt, with any funds in excess to be used for general purposes. Per the ballot, the county was required to roll back its property tax levy for 50 percent of the sales taxes received. This sales tax levy expired in October 2007. Under this tax, the General Revenue Fund received approximately \$258,000 in 2007.
- In August 2006, voters approved a 1/8 percent sales tax levy for funding senior citizens services. This sales tax does not have a roll back provision. Under this tax, the Senior Citizens Fund received approximately \$64,000 in 2007.
- In April 2007, voters approved a 1/2 percent sales tax levy to replace the sales tax which expired in October 2007. This sales tax does not have a roll back provision. Under this tax, the General Revenue Fund received approximately \$45,000 from October to December of 2007.

Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds 1/2 percent under Section 67.547, RSMo. With the new additional general operations and the senior citizens sales taxes approved under Section 67.547, RSMo, the county is imposing total levies of 1 1/8 percent (5/8 percent above the statutory maximum allowed). The county needs to review the various sales tax levies to determine which are valid. While the County Commission has tried to improve the financial condition of the county by imposing the new sales tax for general operations, it may need to eliminate one or more of these sales tax levies, and consider passing a sales tax levy under another section of law.

- C. The county did not rollback the 2007 General Revenue property tax rate for the additional sales tax as provided in the ballot issue passed in April 2003. In addition, the County Clerk included the voluntary rollback amount, in addition to the sales tax rollback amount, in her rollback calculations for the original general sales tax passed under Section 67.505, RSMo.

The county is required to compute the annual property tax levy to meet the 50 percent rollback requirement, and certify to the State Auditor's Office the annual property tax levy including the amount the levy is required to be rolled back, as well as any voluntary rollback. For 2004 through 2006, the county certified the sales tax reductions and voluntary reductions as follows:

	2007	2006	2005	2004
Sales tax reduction	.1352	.2879	.2913	.2074
Voluntary reduction	.0650	0	0	.0339

If the voluntary rollback is included, the county rolled back \$51,943 less than required during the 4 years ended December 31, 2007. However, utilizing only the amounts certified as sales tax reduction, the county rolled back \$120,084 less than required during the 4 years. If the county considers the voluntary reduction to be part of the sales tax reduction calculation, it should be certified as sales tax reduction to the State Auditor's Office to clearly show compliance with state law.

The County Commission was aware the General Revenue property tax levy had not been reduced in 2007 for the additional sales tax; however, the Commission believed the property tax levy had been voluntarily reduced more than required in the year it began and the voluntary reduction would carry forward and cover the excess in 2007.

The county should review its past designations of sales tax rollback and voluntary rollback to determine its position on the purpose of the rollbacks. Although the taxpayers voted to change the additional sales tax in April 2007 to a tax without a rollback provision, the county should continue to rollback its property taxes until this liability is reduced to zero.

WE RECOMMEND the County Commission:

- A. Closely monitor the financial condition of the county and consider various alternatives of increasing receipts and reducing disbursements.
- B. Consult with legal counsel to review the various sales tax levies and determine which are valid and what further steps to take.
- C. Continue to roll back property taxes until the sales tax liability is reduced to zero. In addition, the county should properly distinguish between sales tax and voluntary reductions on certified tax forms to clearly show compliance with state law.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We have been closely monitoring the financial condition of the county for several years and will continue to do so.*
- B. *The citizens voted for and passed this sales tax; therefore, we do not plan to attempt to change it.*
- C. *We will have the County Clerk double check her calculations for this. In addition, we do consider the voluntary rollback amounts to be part of the sales tax reduction calculations and will properly reflect this on the certified forms in the future.*

Property tax system procedures and controls are not sufficient. The County Clerk does not maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements.

- A. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other record summarizing property tax transactions and changes. In addition, no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected reporting errors in the County Collector's annual settlements (see MAR finding number 4).

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- B. Controls over property tax additions and abatements are not adequate. Addition and abatement requests are prepared by the Assessor and submitted to the County Collector who posts the changes to the property tax system. The County Collector then prints out the personal property and real estate property tax additions and abatements at the end of the year for the County Commission's review.

No review and approval of change requests and/or court orders submitted by the Assessor and comparisons to changes actually made to the property tax system by the County Collector are performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Section 137.260, RSMo, requires tax books only be changed by the County Clerk under order of the County Commission. Controls should be established requiring the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax system, and to charge these amounts to the County

Collector. Further, court orders should be approved timely by the County Commission for all additions and abatements to the property tax system.

WE RECOMMEND the County Commission:

- A. And the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's settlements. In addition, the County Clerk should maintain a complete and accurate account book with the County Collector.
- B. Develop procedures to ensure changes to the property tax system are properly approved and monitored. In addition, addition and abatement court orders should be reviewed and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will monitor and review the annual settlement more closely in the future.*
- B. *The Assessor will start preparing and making changes to the tax books for additions and abatements with the implementation of the new system in January. In addition, we will approve the additions and abatements on a monthly basis.*

The County Clerk indicated:

- A. *I will work on creating an account book and reviewing the annual settlement in more detail.*

3. Payroll Records and Procedures
--

Centralized records of time sheets and vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Time sheets are not prepared by some employees and some time sheets are not signed by a supervisor. The Road and Bridge Supervisor uses a county vehicle for commuting and this benefit is not reported on his W-2 form. In addition, payments to sheriff's deputies serving as guards are not processed through the county's payroll system.

- A. Centralized records of time sheets and vacation leave, sick leave and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. The County Clerk indicated these records are supposed to be maintained by each individual office; however, adequate records are not maintained by some offices and the balances are not reported to the County Clerk. In some offices, the employees maintain their own records and do not report the information to the respective official.

Centralized records are needed to ensure employees are meeting expectations of county employment, policies are uniformly followed, and potential leave and/or compensatory time liabilities are monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

- B. Supervisory approval is not recorded on some employees' time sheets. In addition, full-time secretaries in the Prosecuting Attorney's Office do not prepare time sheets.

Detailed time sheets, signed by the supervisors, document and support hours actually worked, provide information necessary to monitor overtime worked and leave and compensatory time usage and balances, and are beneficial in demonstrating compliance with county policies and FLSA requirements. Supervisory approval is necessary to ensure time reported was actually worked. Time sheets should be signed by all employees, verified for accuracy, approved and signed by the applicable supervisor, and filed with the County Clerk's office.

- C. The county has not established a written policy allowing the use of county vehicles for commuting purposes and requiring detailed logs which distinguish between business and personal usage. The County Road and Bridge Supervisor is allowed to use a county vehicle to commute to and from work. Per the County Clerk, the Road and Bridge Supervisor is on call 24 hours a day for emergency situations. The amount of personal (commuting) mileage is not reported on the employee's W-2 forms as compensation nor is a detailed log maintained. In addition, the county has not documented an analysis to demonstrate that the commuting policy results in a financial benefit to the county.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits. A formal written county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

- D. Sheriff's deputies serving as guards in the transportation of prisoners are paid \$25 for trips to Farmington or Cape Girardeau Mental Health Centers and \$50 for trips to the Fulton prison.

These payments are not processed through the county's payroll system. As a result, these payments are not reported on the employee's W-2 form and payroll

deductions are not withheld from the payments. In addition, some of the deputies making these trips are considered off duty, thus these hours are not recorded on their timesheets. The county has not documented why these additional hours would not qualify as overtime hours per the FLSA.

The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on their W-2 form. In addition, to ensure compliance with the FLSA and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

Conditions similar to A, B and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require centralized payroll records be maintained by the County Clerk's office.
- B. Require all county employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- C. Develop a comprehensive county vehicle policy which requires vehicle logs be maintained and ensures compliance with IRS reporting requirements related to personal commuting mileage.
- D. And the Sheriff review this situation. Deputies who serve as guards should be paid through normal payroll procedures, all payments should be included on W-2 forms, and all hours worked should be recorded on timesheets.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will check into obtaining a payroll software package that can keep track of leave amounts or updating our current package. If it is affordable, we will implement this recommendation. The Road and Bridge Department has already started keeping better track of leave.*
- B. *We will have the County Clerk send a letter to all offices indicating that employees and supervisors need to sign all time sheets.*
- C. *We will research this matter and start recording the personal miles on his W-2 form if required.*
- D. *We will discuss this with the Sheriff.*

The County Clerk indicated:

- A. *I will send out a letter to each office stating they need to keep track of leave and submit it to my office monthly.*

The Sheriff and Sheriff-Elect indicated:

- D. *We will discontinue paying the \$25 incentive payment.*

4. County Collector Accounting Controls and Procedures

Monthly liability listings are not prepared and reconciled with cash balances. In addition, the County Collector's annual settlements contained errors for the years ended February 28, 2008 and 2007. Concerns were noted with the County Collector's procedures for calculating some withholdings and fees.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2008 and 2007, property taxes and other monies totaling approximately \$4.8 and \$4.6 million, respectively, were collected.

- A. The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to cash balances. A comparison of the February 28, 2008, reconciled bank balance to a listing of identified liabilities showed an unidentified balance of approximately \$10,900 in the County Collector's account. Upon our request, the County Collector investigated the unidentified balance and discovered that approximately \$4,800 of the difference was surplus tax sales monies which had never been turned over to the County Treasurer as required. However, he was unable to identify the remaining unidentified balance. The County Collector should continue to investigate the unidentified balance and disburse any remaining monies in a reasonable manner to the political subdivisions.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure cash balances are sufficient to cover liabilities. If a difference is discovered, it should be investigated in a timely manner. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. In addition, Section 140.230, RSMo, requires the County Collector to turnover surplus tax sale monies to the County Treasurer.

- B. The annual settlements filed for the years ended February 28, 2008 and 2007, contained errors in amounts reported which resulted in the amount reported as distributions exceeding collections by \$701,007 and \$503,405, respectively.

Delinquent taxes and abatements of \$584,383 and \$116,624, respectively, were included in the distributions amount on the 2008 annual settlement.

In addition, the 2008 and 2007 settlements showed tax book differences of \$2,057 and \$102,356, respectively. The following differences were noted on the February 28, 2008 settlement:

- The wrong year was used for charges for back taxes for both real estate and personal property. Charges were overstated by \$47,844 and \$30,444 for real estate and personal property, respectively.
- Penalties and interest, license, bank interest, and fee amounts of \$87,043 were included in collections but only \$59,850 was included in charges, resulting in understated charges of \$27,193.

Also, current delinquent tax collections of \$119,382 and \$121,887 were credited to back taxes instead of current taxes for real estate and personal property, respectively. When these errors are corrected on the February 28, 2008, annual settlement, collections equal distributions; however, there remains a tax book difference of \$49,537 as follows:

Type of Tax	Difference (charges under credits)
Current real estate	\$ (9,210)
Current personal property	(9,828)
Back real estate	(15,707)
Back personal property	(14,792)
Total	\$ <u>(49,537)</u>

The County Collector should continue to investigate the tax book differences on the annual settlements.

Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting.

- C. The County Collector was not aware that a school district in the county qualified for Proposition C withholdings and did not perform the necessary calculations. As a result, the county's Assessment Fund and General Revenue Fund received less withholdings and commissions than allowed. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings and commissions, the County Collector should use ratios of unadjusted and adjusted school tax levies.

The County Collector should calculate the proper amounts of withholdings and commissions for the prior years and make applicable adjustments to the distributions to the school district, General Revenue Fund, and Assessment Fund.

WE RECOMMEND the County Collector:

- A. Prepare a monthly listing of liabilities, reconcile the listing to the reconciled bank balances, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted. In addition, the County Collector should pay out the surplus on tax sales.
- B. Ensure annual settlements are complete and accurate.
- C. Recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.

AUDITEE'S RESPONSE

The County Collector indicated:

- A. *We have already implemented this recommendation. We have started reconciling to liabilities and have paid out the surplus monies identified. We plan to continue to investigate the remaining difference noted.*
- B. *We always try to ensure the annual settlement is complete and accurate and will continue to do so in the future. In addition, we hope that implementation of a new tax system in January and the use of a monthly settlement package will aid us in clearing up the problems noted.*
- C. *We have already implemented this recommendation to ensure Proposition C is properly calculated now and in the future. We plan to determine how much difference this makes on commissions, withholdings, etc., and if it determined to be significant, we will attempt to recalculate prior years.*

5. County Disbursements

The county does not have adequate procedures regarding the procurement of purchases and professional services. In addition, the county did not enter into or modify written contracts for some services.

- A. The county did not solicit bids or perform other price comparison procedures for some purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to

compare prices (i.e., phone contacts or inquiries) or reasons to support sole source purchase determinations.

Bids were not obtained or adequately documented for the following purchases:

Prisoner meals (2007 total)	\$30,181
Plat books	14,306
Printing of ballots	10,602
Tractor	17,703
Culverts	6,286

The County Clerk indicated that bids were not obtained on culverts and ballots since there was only one company in the county that could supply them; however, this was not documented in the County Commission minutes or in the disbursement files.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm or corporation during any period of 90 days. Advertising for bids is required for purchases exceeding \$6,000. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. Additionally, sole source procurement situations should be properly documented in the commission minutes.

- B. The county did not always enter into or update written contracts when appropriate. The Prosecuting Attorney is part time and uses his private practice office for county business. The county reimburses the Prosecuting Attorney \$100 each month for part of his telephone service, but does not have a contract regarding this reimbursement.

Also, the county entered into a written contract with the Emergency Management Director in June 2004, regarding the services he provides to the county. This contract was to be on-going until one or both parties should find reason to modify or cancel the agreement; however, the County Commission increased the amount paid to the director, from \$100 per month to \$150 per month, at the end of 2005 without updating the written contract.

Contracts which fully stipulate the terms of the agreements, and rights and responsibilities of the parties are necessary to ensure the county is provided services in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties, remedial actions in the

event of noncompliance, criteria for detail to be included in billings, and the dates or events upon which billings may be submitted. In addition, when any stipulations of the agreement change, the contract should be updated.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made. Additionally, sole source procurement situations or other reasons for not following bid requirements should be adequately documented.
- B. Enter into and update written contracts when appropriate.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We feel that we bid adequately but will document the bids better in the future.*
- B. *We have already updated the emergency management contract. We will ensure contracts are updated in the future.*

6. Fuel and Vehicle Controls and Procedures
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Procedures are not adequate to account for fuel usage and records of fuel usage for Sheriff's Department vehicles and Road and Bridge Department vehicles and equipment are not adequately reviewed. During 2007 and 2006, the county expended approximately \$170,500 and \$151,000, respectively, on gas and diesel fuel.

- A. Mileage logs are not maintained and odometer readings per dispatch logs are not compared to the monthly fuel statements for Sheriff's Department vehicles. In addition, odometer readings are not used to calculate miles per gallon for reasonableness. The Sheriff's Department deputies purchase fuel for vehicles with fuel purchasing cards and the county receives a monthly billing statement for these purchases. While statements for the fuel purchasing cards include odometer readings for each vehicle, such readings appeared inconsistent with previous readings. The Sheriff's Department deputies do not prepare mileage logs for the vehicles; however, they call in their odometer reading at the beginning and end of each shift which is recorded in the dispatch log. These odometer readings are not compared to the monthly billing statement or used to review miles per gallon.

Without comparison of fuel records to daily odometer records, the county cannot effectively monitor that vehicles are used for official business only, fuel costs for vehicles are reasonable, and fuel billings represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred

for the various vehicles, the county cannot evaluate the optimal number of county vehicles needed and when vehicles need to be replaced. The Sheriff's Department should compare odometer readings per the dispatch logs to the monthly billing statement for accuracy and review the miles per gallon per vehicle for reasonableness. Any unusual fluctuations in the miles per gallon should be investigated and the results documented.

- B. While fuel usage logs are maintained by the Road and Bridge Department for fuel tanks at the road and bridge shed, no reconciliation of these logs to fuel purchases is performed. In addition, no logs are maintained for the diesel fuel tanks located throughout the county. The county maintains gasoline and diesel fuel tanks at the county road and bridge shed and five diesel fuel tanks throughout the county for use in vehicles and equipment of the Road and Bridge Department.

To ensure the reasonableness of fuel disbursements, the county should maintain complete records of fuel usage, reconcile them to fuel purchases, and investigate any differences. Failure to account for fuel purchases and usage could result in loss, theft, or misuse of fuel.

WE RECOMMEND the County Commission:

- A. Ensure proper reviews and reconciliations of fuel records to odometer records are performed for all Sheriff's Department vehicles.
- B. Maintain complete records of fuel usage, reconcile the records to fuel purchases and fuel on hand, and investigate any differences.

AUDITEE'S RESPONSE

The County Commission indicated:

These recommendations have been implemented.

7. Archive Board Accounting Controls and Procedures
--

Board minutes are not adequately detailed or signed by the Board Secretary and Board President. In addition, the board's procedures related to accounting duties, processing of monies, and bank reconciliations are in need of improvement.

The Archive Board is appointed by the County Commission and maintains the archived records of the county. If a citizen wants a copy of an archived county record, they can obtain a copy at the Archive Board Office. The county budgets approximately \$1,300 for the board each year and the board also maintains a bank account for the monies received from the sale of books about the history and geological information of Bollinger County and its citizens. Monies received for copies of archived records are transmitted to the

County Treasurer for deposit. During 2007 and 2006, approximately \$2,600 and \$4,000, respectively, was collected by the board for copies and sales of books.

- A. Archive Board minutes document motions made, but do not record who made or seconded the motion or votes taken. In addition, the board minutes are not signed by the Board Secretary or the Board President to attest to the completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board. In addition, minutes should be signed by the board members to show the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

- B. The Archive Board's controls and procedures over monies collected are in need of improvement.

- 1. As a result of poor controls over receipts, the Archive Board did not realize that \$203 in receipts were missing. Archive volunteers maintain a ledger where they record receipts (copy monies, book sales, donations, and research fees) in total for the day and disbursements (cash and checks). Prenumbered receipt slips are not issued nor are monies consistently recorded on the ledger, the method of payment is not indicated on the ledger, and the composition of receipts is not reconciled to the composition of deposits and transmittals. Without these records and controls, the board cannot ensure all monies collected are ultimately recorded and deposited or transmitted.

We traced receipts for March, April, and May 2007, to deposits to the Archive Board's bank account and/or to turnovers to the County Treasurer and \$203 was not deposited or transmitted.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be reconciled to the ledger daily. The composition of receipts should be reconciled to the composition of deposits and/or transmittals. Any differences should be investigated in a timely manner. In addition, the board should continue to investigate the \$203 in unaccounted for monies.

- 2. Some monies received are not deposited intact or in a timely manner. Monies are normally collected each business day, but deposits are normally made only once a month or once every two months. The average

deposit amount during 2007 was approximately \$140. In addition, some monies received are withheld from deposits to make purchases.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. If a petty cash fund is needed, one should be formally established and maintained on an imprest basis.

- C. Bank reconciliations are not performed and bank statements for December 2007 and December 2006 could not be located (duplicate copies were obtained from the bank). In addition, the Archive Board's check register does not contain the necessary information, such as check numbers, to reconcile the bank account.

We performed a bank reconciliation for December 31, 2007, and discovered the following problems:

- A check in the amount of \$155 and a deposit of \$106 were not included on the 2007 check register.
- A check in the amount of \$736 was listed on the check register in the amount of \$650, a difference of \$86.

These errors would have been caught more timely if monthly bank reconciliations were performed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved in a timely manner.

- D. The Archive Board does not maintain supporting documentation for some disbursements. Reimbursements to board members for the purchase of microfilm in the amount of \$120 and a subscription to an internet website in the amount of \$175 were paid without supporting documentation. While approval of some disbursements is noted in the board minutes, the board's approval of individual disbursements is not adequately documented.

The monies in this bank account represent public funds and the board has a fiduciary responsibility to ensure disbursements are appropriate, reasonable, and supported by adequate documentation. Without obtaining and properly reviewing adequate documentation, the Archive Board cannot determine the validity and propriety of the disbursements. In addition, documentation of board approval of individual disbursements is necessary to ensure monies are spent only for county business.

WE RECOMMEND the Archive Board:

- A. Ensure complete and accurate minutes of the board's meetings are maintained, including but not limited to, a record of any votes taken and other information required by state law. In addition, minutes should be signed to attest to their accuracy.
- B.1. Issue prenumbered receipt slips for all monies received or record all receipts on the ledger and reconcile the composition of daily monies collected to the receipt slips or ledger and to deposits. In addition, the board should consult with legal counsel to determine its options in relation to any possible investigation of the missing monies.
- 2. Deposit all monies intact on a timely basis, and if a petty cash fund is needed, maintain it on an imprest basis.
- C. Ensure bank reconciliations are prepared on a monthly basis. In addition, the Archive Board should retain all accounting records related to the bank account, including bank statements, and ensure that the check register contains all necessary information and is accurately prepared.
- D. Require adequate supporting documentation be maintained for all disbursements and document the board's approval for individual disbursements.

AUDITEE'S RESPONSE

The Archive Board indicated:

- A. *This recommendation will be implemented. We have been working on this and have made some improvements. We will begin showing votes taken.*
- B.1. *We have established procedures to record all monies received on a ledger. However, we do not plan to pursue the missing monies at this time. This happened prior to the current board and we would like to start new.*
- 2. *We deposit intact now and will establish a petty cash fund for minor purchases.*
- C. *This recommendation will be implemented.*
- D. *This recommendation has already been implemented.*

8. Senate Bill 40 Board Accounting Controls and Procedures

The Senate Bill 40 Board policies and procedures related to disbursements, board meetings, and approval of budgets are in need of improvement. The Senate Bill 40 Board

receipts were approximately \$105,000 each year from property taxes, charges for services, and interest in 2007 and 2006.

- A. The Senate Bill 40 Board has not established by-laws governing when board meetings should be held. During 2007, the board did not have any meetings. The board did not hold a meeting until March 2008, and as a result, the 2007 budget and tax levy were approved after the end of the calendar year. In addition, the board did not approve disbursements in 2007 (see part B below).

By establishing by-laws and procedures regarding the regularity of board meetings the board can ensure that it is handling the approval of budgets, disbursements, tax levies, contracts, and all other business of the board in a timely manner and in accordance with various state laws.

- B. Accounting duties are not segregated. The Board President prepares bank reconciliations and deposits, reviews invoices, approves disbursements, and prepares and signs checks. The board does not review invoices or approve disbursements. According to board minutes, the board receives a financial report at meetings to review, but as previously noted, meetings are not held on a regular basis.

To ensure proper recording of all transactions, the duties of handling, recording, disbursing, and reconciling monies should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person should review and initial bank reconciliations and agree recorded receipts to deposits. In addition, the board should review and approve all disbursements.

WE RECOMMEND the Senate Bill 40 Board:

- A. Establish by-laws and procedures regarding the frequency of board meetings. In addition, the board should ensure budgets and tax levies are approved timely.
- B. Segregate accounting duties to the extent possible and ensure all disbursements are reviewed and approved by the board.

AUDITEE'S RESPONSE

The Senate Bill 40 Board representatives indicated:

- A. *At the next board meeting, the President will suggest a schedule of meetings. In addition, we will ensure budgets and tax levies are approved timely.*
- B. *We will request the board appoint someone to review the bank reconciliation. In addition, we will better document the board's approval of disbursements.*

9. Prosecuting Attorney Accounting Controls and Procedures

An adequate system to account for all bad checks received has not been established. During the years ended December 31, 2007 and 2006, the Prosecuting Attorney's office handled receipts for bad check restitution and fees totaling approximately \$17,800 and \$22,200, respectively.

An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of the bad checks, has not been established. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. The complaint form and information regarding the handling of each case is maintained in individual case files and all pending case files are stored together. No identifying or tracking numbers are assigned to the complaint forms or bad checks, nor is a log maintained to ensure all bad checks or complaint forms received are processed.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by some type of other process established by the Prosecuting Attorney.

WE RECOMMEND the Prosecuting Attorney develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

We have never lost a check in 10 years of prosecuting. We have a small number of vendors here and feel our current system is working properly. Vendors would inform us if monies were not received.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

BOLLINGER COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Bollinger County on findings in the Management Advisory Report (MAR) of the audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County's Financial Condition and Sales Tax

The General Revenue Fund was in weak financial condition. Due to the county's weak financial condition, the County Commission submitted to the voters of Bollinger County a one-half of one percent sales tax for replacing the roof at the courthouse and the sheriff's office, repairing the courthouse, and retiring county debt, with any funds in excess to be used for general purposes.

With this additional general operations sales tax, the county was apparently imposing a levy of one-half of one percent above the statutory maximum allowed by Section 67.547, RSMo.

Recommendation:

The County Commission review the overall sales taxes being levied and ensure they are in accordance with state statutes. In addition, the County Commission should consider passing a sales tax under another Section of RSMo, and closely monitor the financial condition of the General Revenue Fund.

Status:

Not implemented. See MAR finding number 1.

2. Personnel Policies and Procedures

A. The county did not enter into a written agreement with the Prosecuting Attorney regarding the number of secretaries paid by the county. In addition, adequate supporting documentation, such as employee time sheets, was not maintained by the Prosecuting Attorney for filing with the County Clerk.

B. Sheriff's deputies serving as guards in the transportation of prisoners during off duty hours were paid \$25 for trips to Farmington or Cape Girardeau Mental Health Centers and \$50 for trips to the Fulton prison. These payments were not processed through the normal county payroll procedures, were not subject to payroll withholdings, and were not reported on the respective W-2 forms.

- C. Only timesheets completed by the Sheriff's office and Road and Bridge employees included documentation of supervisory approval. In addition, records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

Recommendations:

The County Commission:

- A. Ensure a written agreement is entered into with the Prosecuting Attorney documenting each party's contractual obligations. In addition, timesheets should be required of the secretaries to support salary reimbursements for the agreed upon percentage.
- B. And the Sheriff review this situation. Deputies who serve as guards should be paid through normal payroll procedures and all payments should be included on W-2 forms.
- C. Require all timesheets include supervisory approval and require records be maintained by the County Clerk's office of annual, sick, and compensatory leave earned, used, and accumulated.

Status:

- A. Partially implemented. The Prosecuting Attorney has entered into an agreement with the county regarding the number of secretaries that will be paid from county revenue; however, timesheets are not prepared and filed with the County Clerk. See MAR finding number 3.

B&C. Not implemented. See MAR finding number 3.

3. Budgetary Practices

- A. The County Commission approved expenditures in excess of budgeted amounts for the General Revenue Fund for the year ended December 31, 2002, and for the Road and Bridge Fund for the years ended December 31, 2003 and 2002.
- B. The county did not budget emergency expenditures for the year ended December 31, 2003.

Recommendations:

The County Commission:

- A. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was

adopted, the County Commission should amend its budget by following procedures required by state law.

B. Ensure emergency funds are budgeted in the General Revenue Fund.

Status:

Implemented.

4. Road and Bridge Maintenance Plan

A formal maintenance plan for county roads and bridges was not prepared.

Recommendation:

The County Commission prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the commission should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Computer Controls

The County did not have a formal emergency contingency plan for the computer system.

Recommendation:

The County Commission ensure a formal contingency plan for the county's computer system is developed.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Recorder's Accounting Procedures

Receipts were not posted to the computer system or deposited on a timely basis.

Recommendation:

The Recorder of Deeds ensure all receipts are posted to the accounting system in a timely manner and deposited daily or when receipts exceed \$100.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Sheriff's Accounting Procedures

Adequate oversight of accounting functions was not provided by the Sheriff. A clerk and the dispatchers performed all cash custody and record-keeping for civil and criminal fees, and bonds. There was no documented review of the accounting records performed by the Sheriff.

Recommendation:

The Sheriff provide adequate oversight for the accounting functions performed by employees.

Status:

Partially implemented. The Chief Deputy provides oversight of receipts; however, oversight of disbursements is not performed. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Circuit Clerk's Accounting Procedures

The Circuit Clerk's office held approximately \$11,000 in a certificate of deposit from a case from the 1970's.

Recommendation:

The Circuit Clerk review this case with the Circuit Judge and Prosecuting Attorney to determine what actions can be taken by the court. If the heirs cannot be located, the monies should be disposed of in accordance with state law.

Status:

Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

BOLLINGER COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Bollinger County is a county-organized, third-class county and is part of the Thirty-Second Judicial Circuit. The county seat is Marble Hill.

Bollinger County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 12,029 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	69,419,960
Personal property		28,038,590
Railroad and utilities		12,081,929
Total	\$	<u>109,540,479</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Bollinger County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General	.0050	None	None	
General	.0050	None	None	
Senior citizens' services	.00125	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Wayne Johnson, Presiding Commissioner		22,864
Larry P. VanGennip, Associate Commissioner		18,784
Wayne Whitener, Associate Commissioner (1)		18,551
Dana Fulbright, Recorder of Deeds		31,220
Diane H. Holzum, County Clerk		31,220
Stephen P. Gray, Prosecuting Attorney		37,190
Terry Wiseman, Sheriff		34,652
Naomi Null, County Treasurer		31,220
Charles Hutchings, County Coroner		9,048
Larry L. Welker, Public Administrator		18,200
Robert Anderson, County Collector (2), year ended February 28 (29),	31,866	
James M. Bollinger, County Assessor (3), year ended August 31,		31,908
John W. Reilly, County Surveyor (4)		

(1) Kelly Francis was appointed Associate Commissioner in January 2008.

(2) Includes \$646 of commissions earned for collecting drainage taxes.

(3) Includes \$688 annual compensation received from the state.

(4) Compensation on a fee basis.

State-Paid Officials:

Sharon Lutes, Circuit Clerk	51,197
Scott Thomsen, Associate Circuit Judge	101,090



Susan Montee, CPA
Missouri State Auditor

PUBLIC SAFETY

Missouri State Highway Patrol's Use of Highway Funds

Year Ended June 30, 2008



December 2008
Report No. 2008-98

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following report is our audit of the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds.

Approximately \$343,000 of the \$167,000,000 appropriated to the Missouri State Highway Patrol (MSHP) from the State Highways and Transportation Department Fund (State Highway Fund) was not spent for highway-related activities during fiscal year 2008 and therefore was not spent in compliance with state law.

In its budget requests for fiscal year 2006, 2007, and 2008, the MSHP included reallocations of funding from highway funds to other funds for the Crime Laboratory Division, Training Division, Technical Services Bureau and Administrative Services Bureau. While a reallocation of approximately \$2 million was received in fiscal year 2008 for ongoing non-highway activities and internal funding changes have been made, additional reallocations of funding are needed for the MSHP to comply with state law. Although the MSHP requested funding be reallocated from highway funds to other funds in its fiscal year 2009 budget, no reallocation was approved.

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YELLOW SHEET

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE HIGHWAY PATROL'S USE OF HIGHWAY FUNDS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Mark S. James, Director
Department of Public Safety
and
Colonel James F. Keathley, Superintendent
Missouri State Highway Patrol
Jefferson City, Missouri

We have audited the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds, as required by Section 226.200.3, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objective of our audit was to determine whether the agency is in compliance with legal provisions related to the use of Highway Funds.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in our audit of the agency.

The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: John Luetkemeyer, CPA
Audit Manager: Jeannette Eaves, CPA
In-Charge Auditor: Christina Davis

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE HIGHWAY PATROL'S USE OF HIGHWAY FUNDS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Use of Highway Funds

Approximately \$343,000 of the \$167,000,000 appropriated to the Missouri State Highway Patrol (MSHP) from the State Highways and Transportation Department Fund (State Highway Fund) was not spent for highway-related activities during fiscal year 2008 and therefore was not spent in compliance with state law. During fiscal year 2008, the MSHP spent approximately \$2,796,000 appropriated from the State Highway Fund that was not related to highway activities. This amount included non-highway personal service and fringe benefit expenditures made from the State Highway Fund for the Crime Laboratory Division, Training Division, Technical Services Bureau, and Administrative Services Bureau; and some gasoline and expense and equipment expenditures from the Administrative Services Bureau. However, the Crime Laboratory Division, Training Division, and Technical Services Bureau incurred expense and equipment expenditures of approximately \$2,453,000 that were related to highway activities but were not paid from the State Highway Fund.

In its budget requests for fiscal year 2006, 2007, and 2008, the MSHP included reallocations of funding from highway funds to other funds totaling \$2.1 million, \$2.2 million, and \$3.4 million, respectively, for the Crime Laboratory Division, Training Division, Technical Services Bureau and Administrative Services Bureau. While a reallocation of approximately \$2 million was received in fiscal year 2008 for ongoing non-highway activities and internal funding changes have been made, additional reallocations of funding are needed for the MSHP to fully comply with state law. Although the MSHP requested funding be reallocated from highway funds to other funds in its fiscal year 2009 budget, no reallocation was approved.

To ensure compliance with Section 226.200.3, RSMo, the MSHP should continue to perform reviews of funding sources and uses for the agency's activities and pursue appropriate reallocations of funding in future budgets.

Background information – Funding Sources and Statutory Requirement

The MSHP receives appropriated funding from the State Highway Fund, the General Revenue Fund, and various other funds. While appropriations from all funds totaled over \$232 million, appropriations from the State Highway Fund totaled approximately \$167 million in fiscal year 2008. The following table shows the agency's appropriation activity from the State Highway Fund for the fiscal year ended June 30, 2008:

	Appropriation		Lapsed
	Authority	Expenditures	Balances*
Technical services personal service	\$ 12,089,897	10,705,273	1,384,624
Administration personal service	5,412,656	5,218,641	194,015
Administration expense and equipment	436,415	435,718	697
Enforcement program personal service	57,877,431	56,629,665	1,247,766
Law Enforcement Academy personal service	1,367,051	1,308,951	58,100
Law Enforcement Academy expense and equipment	136,872	136,687	185
Vehicle and driver safety personal service	9,607,329	9,257,186	350,143
Vehicle and driver safety expense and equipment	977,432	977,429	3
Enforcement program expense and equipment	6,032,738	5,906,495	126,243
Technical services expense and equipment	9,370,681	9,370,040	641
Highway Patrol state owned building	123,951	123,898	53
Real property leases, related services, utilities, systems furniture, and structural modifications expense and equipment	839,773	813,630	26,143
Refund unused motor vehicle inspection stickers	40,000	29,175	10,825
Fringe benefits personal service	45,313,207	44,287,004	1,026,203
Fringe benefits expense and equipment	5,531,281	5,396,663	134,618
Vehicle replacement expense and equipment	5,089,546	4,936,316	153,230
Gasoline expenses	2,996,930	2,996,930	0
Crime labs personal service	3,490,133	2,880,907	609,226
Crime labs expense and equipment	676,636	676,633	3
Total	\$ 167,409,959	162,087,241	5,322,718

*The lapsed balances include withholdings made at the Governor's request totaling \$1,896,622.

Article IV, Section 30(b) of the Missouri Constitution, and Constitutional Amendment 3 passed by the voters in November 2004, both limit the MSHP's use of highway funds to activities related to administering and enforcing state motor vehicle laws or traffic regulations. In addition, Section 226.200.3, RSMo, provides, in part:

"Appropriations allocated from the state highways and transportation department fund to the highway patrol shall only be used by the highway patrol to administer and enforce state motor vehicle laws or traffic regulations. Beginning July 1, 2007, any activities or functions conducted by the highway patrol not related to enforcing or administering state motor vehicle laws or traffic regulations shall not be funded by the state highways and transportation department fund, but shall be funded from general revenue or any other applicable source. Any current funding from the highways and transportation department fund used for activities not related to enforcing state motor vehicle laws or traffic regulations shall expire on June 30, 2007. The state auditor shall annually audit and

examine the appropriations made to the highway patrol to determine whether such appropriations are actually being used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution. The state auditor shall submit its annual findings to the general assembly by January 15th of each year."

Previous Audit Reports

In June 2001, we issued report No. 2001-47, *Use of Highway Funds by Other State Agencies*. That report concluded some state agencies, including the MSHP, had expended highway funds for purposes that were not highway-related. As a result of the report, in February 2002, the MSHP prepared a study of its utilization of state highway funds. The study evaluated activities of the patrol by program area and estimated 98 percent of funding received from the State Highway Fund appeared to be for highway-related activities, leaving 2 percent, or approximately \$2.6 million, that was not expended for highway-related purposes. The study also indicated the analysis was subjective due to difficulty in determining if some activities were truly highway-related and a lack of detailed records to determine the percentage of some activities that were highway-related. Based on the findings of its study, the MSHP began implementing record-keeping changes to better track highway-related expenses.

In February 2005, we issued report No. 2005-05, *Missouri State Highway Patrol*. The report noted that in its fiscal year 2004 budget request, the MSHP requested reallocations of funding from highway funds to the General Revenue Fund totaling approximately \$3.2 million. This request resulted in reallocations by the legislature totaling \$661,000. MSHP officials stated they were instructed by the Office of Administration, Division of Budget and Planning not to include additional reallocations between funds in the fiscal year 2005 budget request. The report recommended the MSHP perform annual studies of funding sources and uses for the agency's activities and pursue appropriate reallocations of funding in future budgets.

WE RECOMMEND:

- A. The MSHP continue to perform annual studies of funding sources and uses for the agency's activities, and pursue appropriate reallocations of funding in future budgets.
- B. The General Assembly authorize the transfer of \$343,000 from the state's General Revenue Fund to the State Highways and Transportation Department Fund and make needed adjustments to MSHP's fiscal year 2009 supplemental budget.

AUDITEE'S RESPONSE

- A. *The Missouri State Highway Patrol will continue to perform annual studies of its activities and funding sources, and will continue to pursue appropriate fund switches, as it has done for the past several years in both regular and supplemental budget requests. As indicated*

in this report, while the Patrol did not receive any additional General Revenue in lieu of Highway funding in fiscal year 2004, the legislature did allow the Patrol to take \$661,000 of existing core appropriations and internally reallocate them between its crime lab and enforcement programs to more accurately fund those activities. Then in fiscal year 2008, the Patrol received \$1,996,126 in new General Revenue funding, with a corresponding cut from Highway funding, in a fund switch designed to further enable the Patrol to more accurately fund enforcement activities.

The Patrol is dedicated to full compliance with Section 226.200 RSMo, and appreciates the auditors' recommendations and assistance in ensuring that appropriate funding is established. The Patrol has been consistently addressing this issue since it was first brought to light in 2001, and will continue to actively pursue a proper resolution.

HISTORY AND ORGANIZATION

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE HIGHWAY PATROL'S USE OF HIGHWAY FUNDS
HISTORY AND ORGANIZATION

The Fifty-Sixth General Assembly created the Missouri State Highway Patrol with the approval of the Governor on April 24, 1931. The Patrol operated as an independent agency under the control of the executive branch until the Omnibus State Reorganization Act of 1974 made it a division of the Department of Public Safety. The Patrol carries out its primary purpose of enforcing traffic laws and promoting safety on the highways, and works closely with other law enforcement agencies in crime control activities. The Missouri State Highway Patrol has received additional responsibilities since its inception, including administration of driver's license tests, motor vehicle inspection, weight enforcement, and river boat gambling enforcement.

Colonel James F. Keathley was named Superintendent on September 1, 2006, and currently holds that position. On June 30, 2008, the Highway Patrol employed 2,142 employees.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis Office of Treasurer



December 2008
Report No. 2008-97

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following findings were included in our audit report on the City of St. Louis Office of Treasurer.

The Treasurer's Office is comprised of the Treasury Division and the Parking Division. At March 10, 2008, city funds held by the Treasurer's Office totaled approximately \$41 million in bank accounts and \$292 million in various investments.

The Treasury Division does not adequately document the competitive procurement of services for the deposit of city funds. Banks and accounts utilized by the Treasury Division have not changed in recent years. The financial advisor indicated he sends questionnaires to potential new depositories seeking information about rates and community involvement. The Treasurer should solicit formal bids or proposals for banking services.

The Treasury Division has not resolved old reconciling items in its accounts. The Dormant Account contains old unidentified monies from other bank accounts that were closed ten or more years ago totaling about \$350,000, and the Payroll Account contains about 420 outstanding checks from 1 to 8 years old totaling approximately \$170,000. The Treasury Division has not attempted to contact the payees and reissue the checks. In addition, the Treasury Division does not always promptly prepare bank reconciliations and does not maintain adequate documentation to support investment decisions.

The procedures of the Treasury Division for posting electronic deposits to the daily ledger and contacting other departments about unremitted Receipt Coding Forms or adjustments related to those electronic deposits are not sufficient to ensure timely posting of those receipts. For example, monies from the parking bond trustee electronically deposited in September, October, and November 2007, totaling \$728,767, were shown as reconciling items and not recorded on the daily ledgers until January 2008. While the Treasurer's Office has identified the reconciling items, failure to post such items timely to the daily ledgers results in inaccurate cash balances on the city's accounting records.

During the eighteen months ended December 31, 2007, average monthly receipts of cash and checks by the Treasury Division totaled approximately \$36 million. While procedures appear adequate to ensure monies recorded on the daily ledger are deposited, procedures could be further strengthened to provide more assurance that all monies collected are recorded on the accounting records and deposited.

The Treasurer's Office did not maintain adequate documentation to support payments to financial advisors and one financial advisor received payments exceeding the contract amount. The Parking Division used two financial advisors to assist with the 2006 and

(over)

YELLOW SHEET

2007 revenue bond issuances and for other financial advisory services. The advisors received payments from the bond proceeds totaling about \$267,000 and payments from the Parking Fund totaling about \$74,000 during the eighteen months ended December 31, 2007. The Treasurer's Office did not execute written agreements for the services paid from the bond proceeds. In addition, the Parking Division made payments to the other advisor from the Parking Fund for ongoing financial advisory services based upon invoices that were not detailed. Further, as of May 2008, the Treasurer's Office had not installed a new automated payroll/personnel system that it acquired and paid \$37,000 for in December 2007, and some of the warranties had already expired.

The Treasurer's Office does not have a formal procurement policy. Costs were incurred during the eighteen months ended December 31, 2007, for some professional services without soliciting competitive bids/proposals, including legal services of \$205,000, financial advisory services of \$341,000, investment management services of \$463,000, feasibility studies of \$87,000, and engineering services of \$77,000. Additionally, the Treasurer's Office did not execute formal written contracts for these legal services, engineering services, and feasibility study services as required by state law.

The Parking Division had not ensured a developer complied with contract terms regarding invoices, documentation, and payment for the Euclid/Buckingham garage under construction. As of December 31, 2007, the Treasurer's Office had paid the developer \$3 million of the \$4 million contract for construction; however, billings and payments to-date significantly exceeded the actual construction progress.

The Treasurer's Office does not adequately verify the monthly billings of the contractor responsible for processing parking tickets and the contract was amended in March 2005 to provide additional bonuses to the contractor while requiring no increased services. Payments to the contractor during the eighteen months ended December 31, 2007, totaled about \$2.7 million.

The Parking Division has not analyzed and compared parking meter costs and related revenues. The Parking Division could increase its efficiencies by eliminating the meters for which costs exceed revenues or reduce its costs related to those meters by reducing the servicing, replacement, or frequency of collections from those meters.

The Treasurer's Office has not established policies addressing related employees, enforced employee leave policies, or maintained leave balances accurately.

Vehicle usage/maintenance logs are not complete and the review of fuel usage is not adequately documented.

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CITY OF ST. LOUIS
OFFICE OF TREASURER

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Larry C. Williams, Treasurer
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. Additionally, the City of St. Louis Office of Treasurer engaged KPMG LLP, CPAs, to audit the Parking Division's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit reports. We have conducted an audit of the City of St. Louis Office of Treasurer. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the office has adequate internal controls over significant management and financial functions.
3. Determine if the office has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of Treasurer.

Additional audits of various officials and departments of the city of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Michael Reeves
	Joe Adrian

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF TREASURER
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Bank Accounts and Investments
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The Treasurer's Office is comprised of the Treasury Division and the Parking Division. The Treasury Division does not adequately document the competitive procurement of services for the deposit of city funds or maintain documentation to support investment decisions. Also, the Treasury Division does not promptly prepare bank reconciliations or timely resolve reconciling items on various bank reconciliations.

The Treasurer's Office processes city monies through 26 accounts at eight banks and maintains various short term investments. At March 10, 2008, city funds held by the Treasurer's Office totaled approximately \$41 million in bank accounts and \$292 million in various investments.

The Funds Committee, comprised of the Treasurer, Mayor, and Comptroller, adopted an investment policy for the city in 1998. The policy outlines the investment priorities, from highest to lowest, as security, liquidity, investment return, local economic benefit, and social policy. The policy also outlines various other investment standards including the suitable and authorized investments.

A. The Treasury Division does not adequately document the competitive procurement of services for the deposit of city funds. The city's General Fund receipts and disbursements (except city payroll which is processed through other accounts) are processed through two accounts at one bank, collectively referred to as the clearing account. Other accounts are maintained for various enterprise and fiduciary funds of the city. The Treasurer earns varying rates of interest on the accounts and interest earnings on the large-balance accounts during February 2008 ranged from .49 percent to 4.06 percent. Various factors can affect the rate of interest earnings such as frequency, type, and amount of transactions, required minimum balances, type of institution, and collateral needs.

The investment policy requires the Treasurer to annually select financial institutions through a formal, competitive procurement process. However, the Treasury Division has not competitively procured the bank depositaries and the banks and accounts utilized by the Treasury Division have not changed in recent years. The Treasury Division indicated that it is not possible to utilize other local banks for deposit of city funds because those banks are unable to provide sufficient collateral to secure city funds. However, the Treasury Division maintains no current documentation comparing the collateral capabilities of the various banks. The Treasurer's financial advisor indicated he sends questionnaires to potential new depositaries seeking information about rates and

community involvement, but not discussing collateral. The Treasurer should solicit formal bids or proposals for banking services. The solicitations should include the various factors used in making the selection of depositaries such as interest rates to be earned, minimum balance requirements, collateral limits, and other considerations outlined in city policy. By periodically soliciting formal bids or proposals, the Treasurer's Office could demonstrate compliance with the investment priorities and procurement process outlined in the investment policy, as well as ensuring it is obtaining the required level of service at a reasonable cost.

B. The Treasury Division has not always resolved reconciling items on some bank reconciliations timely.

1. The Treasury Division has not resolved old reconciling items in its accounts. The Dormant Account contains old unidentified monies from other bank accounts that were closed ten or more years ago totaling about \$350,000. Also, as of October 31, 2007, the Payroll Account contained about 420 outstanding checks from 1 to 8 years old totaling approximately \$170,000. The Treasury Division has not attempted to contact the payees and reissue the checks.

The Treasury Division should attempt to identify the monies, contact the payees, and reissue the checks. If the monies cannot be identified and payees located, the monies should be remitted to the State Treasurer's Office, Unclaimed Property Section.

2. The procedures of the Treasury Division for posting electronic deposits to the daily ledger and contacting other departments about unremitted Receipt Coding Forms (RCF) or adjustments related to those electronic deposits are not sufficient to ensure timely posting of those receipts. We reviewed the November 30, 2007, bank reconciliation for the clearing account and noted several items recorded on the reconciliation that had been electronically deposited into the bank account, but were not posted to the daily ledger until at least a month or more later. For example, monies from the parking bond trustee electronically deposited in September, October, and November 2007, totaling \$728,767, were shown as reconciling items and not recorded on the daily ledgers until January 2008. Additionally, the reconciliation lists items for electronic deposits received in August, September, and October 2007, totaling \$475,499, that had not been posted to the daily ledger because the RCFs for those deposits had not been received from the applicable city department. In these cases, the Treasury Division notifies the other departments of the electronic deposit and the need to submit a RCF or an adjustment to identify how the deposit should be credited and then waits for receipt of the documentation before posting to the daily ledger. While the Treasurer's Office has identified the reconciling items, failure to post such items timely to the daily ledgers

results in inaccurate cash balances on the city's accounting records. Prompt posting of these items to the daily ledger is necessary to update the daily cash balances to enable the Treasurer to make informed decisions about the funds available for investment.

- C. The Treasury Division does not always promptly prepare bank reconciliations. As of May 2008, the reconciliations on the Payroll Account had not been completed since October 2007. Extended employee absences for illness have contributed to the delays. The division supervisor occasionally reviews the completed reconciliations, but does not monitor the status of uncompleted reconciliations. Timely bank reconciliations are necessary to ensure city records agree to the bank statements and allow discrepancies to be promptly resolved.
- D. The Treasury Division does not maintain adequate documentation to support investment decisions. The Treasury Division holds the city's funds in bank accounts, certificates of deposit (CDs), and obligations of federal agencies with varying maturities. At March 10, 2008, the Treasury Division held city funds of approximately \$333 million in accounts and investments.

When determining the amounts available for investment and the desired maturities, Treasury Division staff indicated they consult with the applicable departments about cash flow needs for upcoming expenses and consider the bank balances and maturities of existing investments. However, the Treasury Division does not document these processes, including the information received and the reasons for the decision made. Additionally, while bids are solicited prior to the placement of many investments, the investment manager will sometimes reinvest maturing investments into similar instruments at the same bank without obtaining bids if the reinvestment rate offered by the bank seems reasonable. However, documentation is not maintained of the evaluation of the reasonableness of the rate offered. The Treasury Division should maintain documentation of its investment decisions and the factors considered to provide assurance that its decisions provide for sufficient liquidity of the city's funds and maximize investment returns. This documentation should include the reasons for selecting the investment amount, type, and maturity and how the reasonableness of the rate was evaluated.

WE RECOMMEND the Treasurer's Office:

- A. Periodically solicit formal bids or proposals for banking services and maintain adequate documentation of the factors considered and the decisions made.
- B.1. Contact the payees and attempt to resolve the old outstanding checks and unidentified monies. If payees cannot be located, the amounts should be turned over to the state's Unclaimed Property Section. Old outstanding checks and unidentified monies should be followed up on and resolved timely.

2. Work with other city departments as necessary to ensure that receipts are promptly posted to or adjusted on the accounting ledgers.
- C. Perform bank reconciliations timely for all accounts.
- D. Maintain documentation to support investment decisions.

AUDITEE'S RESPONSE

- A. *On an ongoing basis, the Treasurer's Office solicits proposals for banking services from banks identified as eligible for receipt of city funds. These banks are identified as eligible by means of an annual survey undertaken by the Treasurer's Office and the City of St. Louis Planning and Urban Design Agency, as directed by City Ordinance 57332 (as amended by Ordinance 57500). The "local benefit" ranking of the bank is taken into account as to the prioritization of city deposits.*

Per best practice, most cities do not solely rely on bids for ensuring the competitive procurement of banking services. There are more cost-effective ways to obtain cost-effective banking services than bids, such as requests for proposals and market surveys. Moreover, most local governments use a variety of factors in making such decisions (e.g., bank capabilities and services, earnings credit rates, compensating balances, collateral, reserve requirements and deposit insurance fees). The report's focus on bids does not reflect the complexities of such decisions.

In the future, the Treasurer's Office will more thoroughly document the criteria and factors related to its depository decisions.

- B.1. *The Treasurer's Office agrees with the recommendation. All unclaimed funds subject to escheat to the State will be transferred to the State Treasurer's Unclaimed Property Section in their entirety immediately after their three (3) year anniversary date.*
2. *The Treasurer's Office will work with the Comptroller's Office to address this issue. The Treasurer's Office notifies the Comptroller's Office-Federal Grants Section electronically when funds are received electronically. Periodically throughout the month, this office informs the Comptroller's Office-Federal Grants Section of outstanding amounts requiring a RCF to complete the posting to the Treasurer's ledger. Historically, we have relied upon the Comptroller's office to expedite the timely posting of electronic transfers to the Treasurer's ledger which will in turn provide timely posting to the Comptroller's general ledger. In conjunction with the Comptroller's Office and the Mayor's Office, the Treasurer's Office will work to address this issue.*
- C. *The Treasurer's Office agrees with this recommendation and will reconcile all accounts in a timely manner. As a point of clarification, all accounts were reconciled in a timely manner until a key employee was out of the office for medical reasons. His absence placed a short-term staffing burden upon our Fiscal Section which resulted in a few reconciliations of certain accounts being delayed. Upon the return of this employee, all*

accounts were reconciled and continue to be reconciled in a timely manner. The Treasurer's Office will review staffing levels in the Fiscal Section to prevent any recurrence of this problem.

- D. The Treasurer's Office does maintain investment documentation, but agrees that the documentation could be more thorough. The Treasurer's Office maintains files that document the investment purchases, including the proposals for investments and the trade/purchase tickets, but agrees that improvements can be made in the handling of this documentation and will work towards this end.*

2.

Segregation of Duties

Receipting procedures do not provide adequate control over monies received in the Treasury Division. Strengthening procedures could provide more assurance that all monies received are recorded on the accounting records and deposited.

The various city departments turn over collections of fees, taxes, and other monies received to the Treasury Division for deposit into city accounts. The remitting city departments document each turnover on a RCF and a Form 449 and remit these forms along with the collections to the cashier in the Treasury Division. The Treasury Division indicated these forms are not prenumbered due to the forms originating in multiple city departments. The Treasurer's cashier verifies the cash and checks to the form, stamps the RCF paid, records a sequential number on the form, remits one copy of the RCF to the Comptroller's Office and returns one copy of the RCF to the remitting department. The cashier also records the collections and RCF document numbers on the daily ledger, deposits the cash collections, and sends the checks and Forms 449 to a clerk in the Treasury Division who deposits the checks and compares the Forms 449 to the daily ledger. The cashier's supervisor compares the bank deposits to the daily ledgers and the Comptroller's Office conducts unannounced verifications of the receipts on hand for one day each month. These procedures appear adequate to ensure monies recorded on the daily ledger are deposited; however, errors or irregularities could occur that would not be detected by current procedures. Because the RCFs and Forms 449 are not prenumbered, but are instead assigned a sequential number by the cashier who receives these forms directly from the remitting departments and deposits the cash, there is less assurance that all collections are posted to the daily ledger. During the eighteen months ended December 31, 2007, average monthly receipts of cash and checks by the Treasury Division totaled approximately \$36 million.

Prenumbered receipts or supporting documents would provide more assurance that all transactions are accounted for properly and assets are adequately safeguarded. If prenumbered documents or receipts are not feasible, the Treasury Division should consider having someone independent of the cashier periodically confirm recorded RCF documents with the various remitting departments. This confirmation would identify any documents returned to remitting departments which were not ultimately recorded on division records and deposited.

WE RECOMMEND the Treasurer's Office strengthen controls over monies collected in the Treasury Division.

AUDITEE'S RESPONSE

The Treasurer's Office agrees that there are always opportunities for strengthening revenue collection controls, procedures, and systems. We will discuss with the Comptroller's Office the recommendation concerning pre-numbering the RCF forms to address your concerns. We will also remind the various departments of the need to perform monthly internal reconciliations of departmental deposits to verify all deposits are accounted for and properly recorded.

3. Expenditures

The Treasurer's Office does not have adequate procedures for contracting and procurement of some services received. Written agreements were not executed for some services, payments for some services exceeded the contract amount, and some invoices were not adequately detailed. Additionally, the Treasurer's Office has not promptly installed an automated payroll/personnel system purchased. The disbursements of the Treasurer's Office from the Parking Fund and city's General Fund total about \$16 million annually. In December 2006, the Parking Division issued revenue bonds totaling about \$57 million to refinance existing bonds and to provide funds for parking garage construction. In December 2007, the Parking Division issued additional revenue bonds totaling about \$13 million for further parking garage construction.

- A. The Treasurer's Office did not maintain adequate documentation to support payments to financial advisors and one financial advisor received payments exceeding the contract amount.

The Parking Division used two financial advisors to assist with the 2006 and 2007 revenue bond issuances and for other financial advisory services. The advisors received payments from the bond proceeds totaling about \$267,000 and payments from the Parking Fund totaling about \$74,000 during the eighteen months ended December 31, 2007.

1. The Treasurer's Office did not execute written agreements for the services paid from the bond proceeds. Except as noted below, the Treasurer's Office maintained no written agreements, bids, or other documentation evidencing the agreement for financial advisory services connected to the bond issuances. The Treasurer's Office indicated the amounts paid for those services were based on verbal agreements. Additionally, the advisors remitted the invoices directly to the bond trustee for payment, and the Treasurer did not document or maintain evidence of formal approval of the payments. Furthermore, the invoices noted only the total amount due and provided no detail as to how the amount due was derived. Consequently, there is no documentation maintained by the Treasurer's

Office to represent the basis for the amounts paid or to indicate the payments were for services and compensation agreed upon.

For the 2006 bond issuance, the Treasurer's Office contracted with one of the financial advisors to assist with the bond issuance and other matters for \$48,000 for one year. The Parking Division subsequently made monthly payments to the advisor totaling \$48,000 from the Parking Fund. Additionally, the advisor invoiced the bond trustee directly and received another payment totaling \$37,000 from the proceeds of the 2006 bonds. Consequently, it appears the advisor received \$37,000 more than he was entitled to under the terms of the contract. The advisor indicated the Treasurer verbally agreed to the additional compensation because the bond issuance was more difficult than originally anticipated, but the contract was not formally amended.

2. The Parking Division made payments to the other advisor from the Parking Fund for ongoing financial advisory services based upon invoices that were not detailed. The monthly invoices from the advisor indicated only the total due (\$3,000) for ongoing financial advisory services and provided no information about the hours worked, services provided, or hourly rate. The most recent contract with the advisor, dated in 1997, indicates the advisor is to be compensated at an hourly rate to be determined by the Treasurer's Office subject to a \$6,000 monthly maximum. The Parking Division's Chief Fiscal Officer indicated the advisor agreed to reduce the maximum to \$3,000, but the contract was not formally changed.

Adequate documentation should be maintained to support all payments made. The documentation should consist of detailed invoices, contracts, and bids when applicable. Invoices specifying the dates of service, hours worked, services provided, and hourly rate, if applicable, should be obtained, verified to the contract, and formally approved for payment to provide assurance that billings are proper. Additionally, Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Likewise, any contract amendments should also be in writing. The Treasurer's Office should review the payments made to the financial advisors and determine whether amounts were overpaid and, if so, take steps to recover those amounts.

- B. As of May 2008, the Treasurer's Office had not installed a new payroll/personnel system that was acquired in December 2007 and some of the warranties have already expired. The system includes biometric hand-readers and other computer hardware and equipment for an employee time and attendance system. The warranties on the ethernet communication, backup batteries, and printer head have apparently already expired and the hand-readers, ID badge printer, and software have one year warranty periods from the date of purchase. The Treasurer's Office has made payments totaling \$37,000 for the system and about \$7,000 more will

be due upon installation for training and maintenance. The Treasurer indicated the system had not yet been installed as he intended to make staffing reorganizations to coincide with implementation of the system.

- C. The Treasurer's Office does not have a formal procurement policy. As a result, the decision of whether to solicit competitive bids/proposals for a particular purchase is made on an item-by-item basis. We noted costs were incurred during the eighteen months ended December 31, 2007, for the following services without soliciting competitive bids/proposals:

Legal services	\$205,000
Financial advisory services	341,000
Investment management services	463,000
Feasibility studies	87,000
Engineering services	77,000

The financial advisory services included assistance with the issuance of revenue bonds noted in part A above and ongoing consulting for Parking Division operations. Investment management services consist of helping manage city funds under the control of the Treasury Division, for which the fee is calculated at 20 basis points of the market value of the related assets. The Treasurer's Office indicated it has dealt with many of these service providers for many years, generally ten years or longer, and is satisfied with the quality of the services provided and consequently has not solicited competitive bids or proposals for these items from other entities.

Through ordinance, the city has established a procurement policy for city departments and agencies. Under certain circumstances, the city policy allows professional services to be obtained by sole source engagement. The city policy requires the reasons and qualifying circumstances for these sole source engagements to be adequately justified and limits such contracts to \$50,000. However, as a separately elected official, the Treasurer has the authority to establish procurement policy for his office.

Formal procurement procedures would provide a framework for the economical management of resources of the Treasurer's Office and help ensure the Treasurer's Office receives fair value in its contracts as well as help ensure all parties are given an equal opportunity to participate in the business of the Treasurer's Office. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. In addition, a request for proposal or request for qualification process may be more appropriate for professional services. For engineering services, Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such services. These sections require the office to obtain annual statements of qualifications and performance data from

interested firms and consider at least three highly qualified firms. No matter which approach is used, complete documentation should be maintained of all bids/proposals received and reasons noted why the bid/proposal was selected.

- D. The Treasurer's Office did not execute formal written contracts for legal services, engineering services, and feasibility study services. In these cases, written proposals or engagement letters were received from the service providers, but written contracts signed by both parties were not executed. Proposals for engineering services and feasibility studies are obtained on a project by project basis. The engagement letter for legal services is several years old.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The Treasurer's Office should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Current, written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Treasurer's Office:

- A.1. Execute written contracts for financial advisory services on bond issuances, document approval of related invoices, and ensure amounts paid are consistent with the contract terms. Additionally, the Treasurer should review the payments to the financial advisors and consider obtaining repayment for any amounts paid in excess of agreed-upon terms.
- 2. Require adequately detailed invoices for ongoing financial advisory services.
- B. Install the automated payroll/personnel system promptly. Future equipment purchases should be installed in a timely manner.
- C. Establish formal procurement policies and procedures, including documentation requirements regarding the bids or proposals received and justification for the vendor selected.
- D. Execute formal written agreements for services received.

AUDITEE'S RESPONSE

- A.1. *The Treasurer's Office has reviewed the payments for financial advisory services relating to the 2006-2007 bond issuances and has determined that all payments were warranted. Financial advisory services are unique services, which require a high level of education, experience and skill. Their services are critical in recommending actions that can result in the successful financing of projects at the lowest borrowing cost over many years. Since debt issues typically have terms of at least twenty years, and the challenges inherent in managing revenue bond projects are daunting, the Treasurer's Office has*

determined that long-term relationships with expert financial advisors is in the city's best long-term interests. Nevertheless, we will reexamine our contract procedures to determine the extent to which they can be improved to clarify the terms under which the financial advisory services are provided.

Case in point, the specific 2006 refunding issuance cited in the report proved much more difficult than had been anticipated, but through the extraordinary efforts of the financial advisors involved the Treasurer's Office was able to close in a timely fashion and realize present value savings of \$2,400,000 to the city. The extraordinary difficulties, and the efforts to overcome those difficulties, had been discussed in advance and in great detail with the Treasurer, and the Treasurer approved a closing memorandum which was forwarded to the Bond Trustee, who made the payments a part of the record with signed requisitions clearly including the payments in question. In future financings, the Treasurer's Office will document and execute its contracts with all financial advisors to improve their transparency and better ensure that all services and payments rendered are consistent therewith.

2. *Procedures have been put in place to require more detailed invoices for financial advisory services.*
- B. *The Treasurer's Office agrees with this recommendation with one comment. Due to the requirements of this system, it was necessary to both build out an operational area for the payroll equipment, and to adequately train the operational staff. These needs delayed implementation of the new system. The system has since been installed and is up and running in all departments within the Treasurer's Office. In the future, all systems will be installed as quickly as possible in accord with relevant best practices for system implementation projects of this nature, subject to any circumstances beyond our control that could affect the schedule.*
- C. *The Treasurer's Office will recommend to the Parking Commission the adoption of a policy for the procurement of professional services. While this policy will take into account cost, it will more heavily weigh other factors to ensure that such services add value in a cost-effective manner (e.g., capabilities, the ability to perform the necessary services, and knowledge relating to the undertaking).*
- D. *The Treasurer's Office will implement a procedure to ensure that written agreements are in place for all professional services*

4. Euclid/Buckingham Garage

The Parking Division has not ensured a developer complies with contract terms regarding invoicing and payment for the Euclid/Buckingham garage currently under construction.

In September 2005, the Treasurer's Office sold the air rights to a city-owned parcel of land to a developer for \$500,000. Under the ownership agreement between the two

parties, the developer is to construct a building that will include a parking garage, condominiums, and retail space. The agreement allows the Treasurer's Office to own and operate the public parking garage portion of the structure. In April 2007, the Treasurer's Office contracted with the developer to construct the parking garage component, containing 180 spaces, for \$4.5 million and to complete the project by October 31, 2008. In August 2007, the developer began invoicing the Treasurer's Office for monthly amounts of \$750,000 and through December 31, 2007, the Treasurer's Office had paid the developer \$3 million for construction. The developer submitted another invoice for \$750,000 in January 2008, but as of May 2008, the Treasurer's Office has not paid the invoice because total billings and payments to-date exceeded the actual construction progress.

- A. The Parking Division has not required the developer to provide documentation of construction progress as a basis for requesting payment. The invoices from the developer do not provide any information about the construction progress or percentage of completion, nor does the developer provide the Parking Division with periodic written construction status reports or lien waivers from major subcontractors. The contract requires monthly payments be made to the developer based upon the value of the work completed and requires the developer provide lien waivers with each application for payment. The construction manager of the Parking Division indicated he monitors the project by attending weekly progress meetings with the developer and being on-site during significant construction events; however, he does not receive or maintain documentation of construction progress or lien waivers.
- B. The Parking Division processed the payments to the developer without applying the credit for the sale of the air rights. The contract requires the Treasurer's Office sale of the air rights to the developer for \$500,000 be credited against the payment obligations of the Treasurer's Office. The invoices from the developer incorrectly state the total contract value at \$4.5 million while the actual contract value is \$4 million after considering the \$500,000 credit.

The employees in the Parking Division responsible for monitoring the project and processing invoices for payment did not appear to be fully aware of the contract terms noted above. The construction manager indicated the construction was delayed due to the weather and to relocate an underground cable. However, these delays were not considered in the billings to the Parking Division. As a result, it appears the Parking Division has likely made payments to date exceeding the value of construction completed. Upon our request, the Parking Division obtained a construction schedule from the developer which indicates construction began in May 2007 and the entire project is expected to be completed in January 2009. It is not clear from this schedule whether the parking garage portion of the project will be completed before the entire project. The construction manager indicated the parking garage portion probably will be completed before the entire project, but the expected completion of that part of the project has not been defined. Based on this construction schedule, it appears through December 31, 2007, about 7 months of the expected 20 months construction timeframe

had elapsed, or about 35 percent, yet the Parking Division had already paid \$3 million of the \$4 million contract value, or 75 percent.

WE RECOMMEND the Treasurer's Office ensure staff responsible for monitoring projects and approving invoices are aware of significant contract terms and make no further payments to the developer without documentation of construction completion and lien waivers. Subsequent payments should be linked to the documented percentage of construction completed. Additionally, amounts paid to the developer should be net of the \$500,000 air rights credit.

AUDITEE'S RESPONSE

To attempt to ensure that necessary staff had access to copies of relevant contracts, it has been and continues to be standard practice of the Treasurer's Office to post all development related contracts, including construction contracts to a shared website file room. This file room can be accessed by top executives in the Treasurer's Office, including the fiscal department. The file room currently contains over five hundred documents. Due to the evolving nature of the Euclid Buckingham project it was first referred to as "Euclid Laclede" and then later as the "Forest Park Garage." It is believed this has led to some difficulty by users in retrieving documents relating to this project. All documents relating to this project will be unified under a single title "Euclid Buckingham Garage."

Regarding the progress payments related to the construction company, the construction manager makes frequent on-site visits and attends numerous meetings related to the construction. No payment was approved without his countersignature to the payment application as referenced in the audit findings. All payments were stopped until such time as the progress matched the schedule and currently no payments are made until such time as the progress is verified and lien waivers provided.

The construction contract was subsequently amended to provide for a cash payment for the air rights, and the "air rights credit" referenced has since been paid and properly credited.

5. Parking Ticket Processing Contract
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The Treasurer's Office does not adequately verify the monthly billings of the contractor responsible for processing parking tickets and the contract was amended in March 2005 to provide additional bonuses to the contractor while requiring no increased services.

In October 2003, the city of St. Louis and the Parking Commission executed an agreement with the contractor to manage, process, and collect payments on parking violation tickets issued by the Parking Division and city police. The original contract was for a five year period, with an option of 2 one year extensions. The original contract allowed the contractor a per unit ticket processing fee, a per unit paid ticket fee, a fee based on delinquent account collections, and bonuses for exceeding targets for early collection, total collections, and various other performance criteria. The contractor's fees

are split between the Parking Division and city police based on tickets issued. The contract was amended in 2004 for document imaging and other changes. The contract was amended again in 2005 to modify the bonuses. Payments to the contractor during the eighteen months ended December 31, 2007, totaled about \$2,700,000 of which about \$2,000,000 and \$700,000 was paid by the Parking Division and city General Fund (for police), respectively.

- A. The Parking Division does not consistently verify the number of processed tickets, paid tickets, or delinquent collections on the contractor's billings. The contractor reports these numbers and amounts in summary on its monthly billings and the Parking Division and city routinely pay the amounts invoiced without verifying the data to detailed supporting reports. In addition, the contractor does not provide a detailed report of delinquent collections. The contractor maintains an electronic database of tickets issued and produces detailed reports of tickets processed and collected that could be used to verify the monthly billings. The Parking Division has access to the database and its reports, but does not use the existing reports to verify the billings or require additional reports of delinquent collections.
- B. The Parking Division does not consistently verify the contractor met the performance criteria for the performance bonus. The contract establishes 23 performance standards and allows the contractor a monthly bonus of \$5,000 or \$10,000 for scoring 90 percent or 96 percent, respectively, on the standards. In its monthly billing, the contractor submits a summary report indicating the total results of its own measurements of its performance on the standards. The contractor does not routinely provide the Parking Division with the details of its performance measurements. After we inquired about the issue, the Parking Division contacted the contractor who provided reports supporting its January 2008 measurements. Additionally, the Parking Division does not periodically test the contractor's measures or its compliance with most standards. The Parking Division's Director of Support Services indicated he occasionally tests the contractor's compliance with two of the performance standards related to customer service, but he does not document these tests. Since the Parking Division has access to the contractor's system, the division could periodically select samples of tickets and test the handling of those tickets for compliance with the standards to ensure the contractor's measurements are reasonable. Based on the billings, the Parking Division and city paid the contractor a total performance bonus of \$10,000 each month during the 18 months ended December 31, 2007, for a total of \$180,000.
- C. The 2005 contract amendment appears to have provided no additional services to the Parking Division and city while allowing the contractor to earn additional bonuses related to the early collection incentive bonus. Previously, the contract allowed the contractor annual collection incentive bonuses of \$140,000 each for early collections and total collections exceeding \$8 million per year and \$12 million per year, respectively. Annual collections were significantly less than

these amounts and consequently, the contractor actually earned no collection incentive bonuses under the original contract.

The amended contract eliminated the old criteria and added new criteria for a collection incentive bonus of \$10,000 per month for collecting monthly revenues per ticket issued in excess of \$15.51. It appears the amendment effectively provided additional compensation to the contractor in exchange for no new services as the revenue per ticket generally exceeded \$15.51 both before and after the contract amendment. Additionally, the average monthly per ticket revenue since the contract amendment (\$17.94) is actually less than the corresponding averages for the 12 months before the amendment (\$18.33). Essentially, the contractor is now being paid an additional \$120,000 per year in bonuses to attain no more than the level of service they were previously providing before the amendment.

To ensure the amounts billed by the contractor are valid and accurate, the Parking Division should obtain and compare the data on tickets issued, processed, and collected, as well as delinquent account activity, to detailed reports. Additionally, the Parking Division should test the contractor's compliance with performance criteria to ensure the contractor is entitled to the performance bonus and these tests should be documented. Furthermore, the Parking Division should require additional services from the contractor for contract amendments allowing additional bonuses.

WE RECOMMEND the Treasurer's Office:

- A. Verify the number of tickets processed and paid and the delinquent collections on the contractor's billings to the totals of detailed reports.
- B. Require the contractor routinely provide reports supporting its performance measurements and periodically test the contractor's compliance with each of the performance standards before paying the performance bonus.
- C. Require additional services from the contractor for any subsequent contract amendments which allow additional bonuses.

AUDITEE'S RESPONSE

- A. *The fiscal office verifies the reconciliation of processed and paid tickets as well as collections of the delinquent collections. The fiscal office and the Comptroller's Office perform monthly reconciliations of the monies collected as well as the fees charged. The fiscal office prepares the monthly payment voucher that has the agreed to billing amount as well as the backup for the billing. This voucher is prepared and certified by the Chief Fiscal Officer and the Comptroller's representative. The Director of Support Services then recertifies the amounts to be paid before returning to the fiscal office for payment. At this point there have been three levels of certification prior to payment. Nevertheless, we will expand the verification process to include regular audits of representative samples of processed tickets.*

- B. *The contractor provides the supporting data for the bonus calculation. However, due to a change in the contractor's project staff, the contractor failed to supply the data required for a brief time period. The current project manager routinely provides the data to support the bonus calculation. However, we have had discussions with the contractor to revamp the bonus provision. As a condition pre-requisite to the extension of the current contract, we plan to restructure the bonus provision. The new bonus structure will include a clearer monitoring process. We also will develop a new testing protocol to strengthen our ability to determine the contractor's compliance with the performance standards and explore the feasibility of engaging an outside accounting firm to perform such testing.*
- C. *The contract provides that the city may authorize a two year extension effective June 30, 2009. As indicated above, negotiations are underway relative to this possible extension, and the Treasurer's Office hopes to modify several contract provisions. However, due to the fact that such negotiations have not been completed, and may involve proprietary vendor information, the city cannot provide any additional comment on the status of the items being discussed until such negotiations are completed.*

6.	Parking Meters
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The Parking Division has not analyzed and compared meter costs and related revenues. The Parking Division maintains many meters that produce little revenue. The Parking Division owns about 10,000 meters located throughout the city and each meter is assigned to one of seven zones based on location. With teams of three employees, the Parking Division collects the revenues weekly from all meters on the various collection routes in each zone and also identifies any meters needing repairs at that time. We noted the average calendar year 2007 meter revenues varied from \$21 per meter to \$870 per meter among the seven zones as follows:

Zone	Total 2007 Meter Revenues	Total Meters	Average 2007 Revenue per Meter
1	\$1,023,425	1,177	\$870
2	648,080	2,156	301
3	385,923	2,045	189
4	190,953	889	215
5	731,316	1,626	450
6	135,148	942	143
7	17,449	825	21
Totals	\$3,132,294	9,660	\$324

Annual salary costs for the employees collecting the meter revenues total about \$250,000, or about \$26 per meter. In 2006, the Parking Division adopted a meter replacement policy that assumes a 10 year life for the meter mechanisms and a current cost of \$150 per meter mechanism, or about \$15 per meter annually. Other salary costs for supervisors and maintenance staff and equipment and fuel costs should also be

considered in an analysis of meter costs and revenues. Based on the above data, it appears the average annual meter costs total at least \$41 per meter (not including vehicles and fuel), which exceeds the average 2007 revenue per meter for zone 7. The Parking Division has not eliminated the low-revenue meters because the meters also produce ticket revenues and meter revenues may increase in the future if residential and commercial developments occur in those areas.

The Parking Division could increase its efficiencies by eliminating the meters for which costs exceed revenues or reduce its costs related to those meters by reducing the servicing, replacement, or frequency of collections from those meters. Eliminating some low producing meters and routes may allow other routes to be reorganized and higher income routes collected more frequently.

WE RECOMMEND the Treasurer's Office analyze and compare meter costs and revenues and consider removing the low revenue meters or service, replace, and collect coins from those meters with less frequency than other meters.

AUDITEE'S RESPONSE

The Treasurer's Office does review meter usage and periodically makes changes in meter locations. Many factors go into the decision to deploy or remove meters. For example, there are certain areas where lower yielding meters are retained as a matter of policy, since they may surround an area of high meter activity. If these lower yielding meters were to be removed, it would provide an opportunity to customers who are currently paying at meters in the center of an area to move to the periphery and pay nothing. If viewed singularly, these lower yielding meters may seem inefficient to maintain. But viewed as part of an overall strategy, they play a key role in maintaining revenues from the overall area.

AUDITOR'S COMMENT

The decision to leave low yielding meters deployed for the reasons noted above does not necessarily mean that the same level of resources needs to be expended to service and collect the meters. It may be more cost-effective to service and collect those low-yielding meters less frequently than other high-yielding routes.

7. Personnel Policies and Payroll Procedures

The Treasurer's Office has not established policies addressing related employees, enforced employee leave policies, or maintained leave balances accurately.

The Treasurer's Office employs about 200 individuals and expended about \$7.5 million for salaries for the eighteen months ended December 31, 2007. As a separately elected official, the Treasurer is not subject to the city's civil service personnel policies. The Treasurer has established personnel policies addressing compensated leave, timekeeping, and other administrative issues.

- A. The Treasurer's Office does not have written policies addressing related employees. Employees are not required to disclose to management their relationship to other employees and related employees are sometimes in a supervisory/subordinate position. Upon our request, the Human Resources Manager prepared a listing of 43 employees related to one or more other employees. We noted one instance where a parking attendant and his immediate supervisor were related and the supervisor signed the attendant's daily cash report. Additionally, we noted an instance where a supervisor signed the bi-weekly timesheet of a related employee.

Policies should be developed addressing related employees. If employing related persons is allowed, the policy should require employees to disclose these relationships and prohibit employees from supervising related employees. Such a policy can help ensure all employees are treated equitably and reduce opportunities for controls to be circumvented through collusion by related employees.

- B. Policies related to employee leave are not always enforced, and leave balances are not always maintained accurately. Employees of the Treasurer's Office record their work attendance on daily timecards or sign-in sheets. Payroll clerks then record the attendance data on bi-weekly timesheets which are reviewed and approved by the employee's supervisor and subsequently remitted to the Human Resources Section within the Treasurer's Office and the Comptroller's Office to support the payroll and update the employee leave balances. The Human Resources Section also uses the timesheets to update its own records of employee leave balances. For twenty employees, we reviewed the timesheets, timecards, and sign-in sheets for one pay period, along with the leave records maintained by the Treasurer's Office. For five additional employees, we reviewed the leave records. We noted the following:

- For one employee, documented approval for negative vacation leave balances was not maintained.
- For seven employees, excessive vacation leave balances were carried forward from the prior year.
- For one employee, the compensatory time leave balance exceeded the maximum accrual.
- For one employee, vacation leave donated to another employee was not reflected on his leave records.
- For one employee, subsequent leave accruals were not reduced to recoup the prior advancement of future leave.
- For two employees, the sick leave and compensatory time amounts posted to the employee leave records were incorrect based on the timesheets.

The policies of the Treasurer's Office require documented approval from the appointing authority for negative employee leave balances. The policies also limit the allowable amount of vacation leave which may be carried forward into

the next year and the maximum accrual of compensatory time. It appears the lack of careful review of timecards and leave balances by employees, supervisors, and the Human Resources Section have allowed these policy exceptions and errors to occur.

Additionally, employees are not periodically notified of their accumulated leave balances and the leave balances kept by the Treasurer's Office are not periodically compared to the balances maintained by the Comptroller's Office. We compared the leave records maintained by the two offices for three employees and noted the balances in the Treasurer's records exceeded the balances in the Comptroller's records for each of the employees. The Human Resources Manager could not explain the discrepancies between the two records.

To ensure all employees are treated equitably, employee leave policies should be enforced. Additionally, leave records should be accurately maintained to ensure payroll and employee benefits are proper. To further ensure the accuracy of the employee leave records, employees should be periodically notified of their leave balances and the leave balances compared to the balances maintained by the Comptroller's Office. Any discrepancies should be promptly resolved.

WE RECOMMEND the Treasurer's Office:

- A. Develop a written policy on related employees, require employees to disclose such relationships, and prohibit employees from supervising relatives.
- B. Enforce employee leave policies and ensure accurate leave balance records are maintained. Periodically, employees should be notified of their leave balances and leave balances should be reconciled with the Comptroller's Office.

AUDITEE'S RESPONSE

- A. *The Treasurer's Office agrees. The Treasurer's Office will develop a policy as to employees and their relatives who may be employed by this office. The two examples cited in the finding were isolated instances where the relative supervisor was filling in for another employee and has since been rectified.*
- B. *The Treasurer's Office agrees. The newly instituted payroll system will accurately track sick and vacation leave. It will post to the system and maintain accurate leave balances providing employees with accurate sick and vacation leave balances.*

8. Vehicle Policies and Records
--

Vehicle usage/maintenance logs are not complete and the review of fuel usage is not adequately documented.

The Treasurer's Office maintains a fleet of approximately 45 vehicles. Most of the vehicles are used by staff in the Parking Division. The vehicles are generally assigned to specific units within the division and are used as pool vehicles by the employees of those units. However, ten vehicles are assigned to specific individuals and six of these individuals, including the Treasurer, use the vehicles for both commuting to/from work and for their work duties. Average monthly expenditures of the Treasurer's Office for fuel for all vehicles total about \$5,700.

- A. Vehicle usage/maintenance logs are often incomplete. Usage/maintenance logs are maintained in each vehicle and contain columns for the date, beginning and ending odometer readings, fuel dispensed, and maintenance. We noted fourteen of the usage/maintenance logs had no odometer readings recorded for 2007, although the fuel invoices indicate usage for those vehicles, and many of the other logs lacked usage data for one or more days during 2007. Also, none of the logs included information about the daily destinations and purposes of the trip. The official in the Treasurer's Office responsible for maintaining the logs indicated that he does not require the odometer readings be completed because the odometer readings are recorded on the fuel system when the vehicles are fueled. While odometer readings and fuel amounts on fuel system reports allow for an analysis of fuel mileage efficiency, without information on trip destinations and purposes, it is difficult for management to assess the propriety and reasonableness of vehicle usage.

To ensure the vehicles are used appropriately and efficiently, and to allow for the accurate reporting of personal or commuting mileage on W-2 forms, the odometer readings, destinations, and purposes should be recorded on the usage/maintenance logs and the logs periodically reviewed for reasonableness of the destinations and mileage.

- B. The review of fuel usage is not adequately documented. When fueling vehicles, employees sign out cards to procure fuel from the fuel vendor and enter the PIN, vehicle number, and odometer readings into the fuel system. Monthly statements from the fuel vendor are grouped by vehicle, noting for each fueling the employee name, odometer readings, and gallons dispensed, and calculate the fuel mileage per gallon. The statements note an error code when the odometer readings are out of sequence. The Treasurer's Office official responsible for monitoring fuel activity indicated he reviews the statement and contacts the employee's supervisor about any error codes. He indicated that generally the problems are due to employees misreporting the odometer readings into the system when fueling. However, he does not document these follow-up reviews and his findings. We reviewed one monthly invoice and noted 10 instances with error codes where apparently the odometer reading was incorrectly recorded.

To ensure fuel charges are proper and reasonable, fuel mileage parameters should be developed for each vehicle and documented investigations performed of mileage outside those parameters.

WE RECOMMEND the Treasurer's Office:

- A. Require employees record daily destinations, purpose, and odometer readings on the usage/maintenance logs. The logs should be periodically reviewed and the usage of the vehicles evaluated for reasonableness and propriety.
- B. Develop expected fuel mileage parameters for each vehicle and document the investigation of mileage outside the established parameters.

AUDITEE'S RESPONSE

- A. *The department is in the process of updating the vehicle usage/repair forms. This department currently reviews the mileage/repair filings weekly. The fuel provider sends an electronic report weekly that is reconciled to the daily vehicle usage and posted to an electronic log. A part of the reconciliation is to determine if there are abuses or errors. This is performed as part of the normal weekly routine. The fleet services manager is informed of irregularities and performs an investigation to determine if the alleged irregularities are material and maintains a file on all reports.*
- B. *The Treasurer's Office Fleet Services Department has been receiving weekly statements from the fuel supplier since January 2007 and has consistently reconciled the fuel report with the mileage sheets. The Treasurer's Office reconciliation could have been more formal. The Treasurer's Office will reevaluate current monitoring procedures to ensure more accurate reporting of vehicle mileage.*

Beginning January 2008, a more detailed reconciliation is being performed and any discrepancy in the reported mileage is being reported via memoranda to each department head detailing the last three mileages reported, the date, the vehicle number, and the driver. The department heads are requested via the memoranda to instruct the employee in the proper procedure to follow when entering mileage and to stress accuracy.

Developing mileage parameters is more problematic. Vehicles are assigned to collection routes and patrol beats on a daily basis. Meter maintenance assignments can be in multiple locations throughout the city. Most route destinations are reached via city street with most locations not being easily reached using an interstate highway.

City driving as well as the weight carried in the vehicle are two of the determining factors in calculating miles per gallon. All drivers have varied driving habits. Allowances for driving habits are difficult to assess. Driving habits are therefore left out of the equation.

Federal mile per gallon standards dictate that for every 200 pounds carried by a vehicle, a subtraction of one mile per gallon is warranted, as well as one mile per gallon for city driving (i.e., stop and go driving). We have now prepared a mileage standard table that includes all vehicles except for sweeping machines and a portable compressor.

We have calculated the average miles per gallon for the last 12 months. We have also researched "www.fueleconomy.gov" and included the federal city mile per gallon standard for each vehicle. We then averaged the two and made subtractions for the additional weight and stop and go driving to determine an average mile per gallon for each vehicle.

We will then reconcile the average fuel mileage on a weekly basis and determine if the fuel mileage falls within the parameter. If the fuel mileage is outside of the parameter, we will then determine if the vehicle needs servicing or if an irregularity has occurred. If we determine that an irregularity has occurred, it will be researched as referenced in response A for follow up action.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. LOUIS
OFFICE OF TREASURER
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Office of Treasurer is an elective office. The Treasurer's duties are defined in Missouri statutes and the city of St. Louis Revised Code. These duties include serving as the custodian of city funds, ensuring the amount of money needed for current city operations is available, and investing money not currently needed in investment vehicles as allowed by the city's investment policy. Additionally, as provided by Section 82.485, RSMo, the Treasurer serves as the supervisor of city parking meters and facilities. As supervisor, it is the Treasurer's responsibility to collect all parking meter fees, enforce parking laws, supervise the expenditures for repairs and maintenance, and to make all disbursements on any parking contracts. Also as supervisor, the Treasurer may issue revenue bonds for capital improvements. The Treasurer currently operates six off-street parking facilities – three of these facilities were constructed with bond proceeds. Another parking facility financed with revenue bonds is owned by the St. Louis Parking Commission Finance Corporation (SLPCFC), a component unit of the Parking Division, and operated by a contracted entity.

Larry C. Williams currently serves as the Treasurer and Parking Meter Supervisor for the city of St. Louis. He has served in that capacity since his appointment in May 1984. He was elected to his position in November 1984 and reelected during each succeeding election. His current term expires in December 2008. Office functions are performed and supervised by the Treasurer's appointed staff in the Parking Division and the Treasury Division. The Treasurer employs approximately 200 employees in the Parking Division and 12 employees in the Treasury Division.

See Appendices A and B for additional information for the Office of Treasurer.

Appendix A

CITY OF ST. LOUIS
OFFICE OF TREASURER
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
VARIOUS CASH AND INVESTMENT POOLS
YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	General Pool	Airport	Water	Law Enforcement	Fire Debt	Public Safety Bonds	Public Safety Bonds - 2006	Section 108 Loan Program	Public Facilities Protection Corporation	Revenue Anticipation Notes	Parking
TOTAL RECEIPTS	\$ 737,896,308	234,817,126	45,409,815	0	5,458,976	343,011	13,117,759	317,461	1,992,768	37,615,136	14,889,734
TOTAL DISBURSEMENTS	734,066,748	243,035,104	42,463,302	531,649	4,588,419	1,185,600	304,455	3,792,860	2,422,503	37,615,136	15,604,294
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,829,560	(8,217,978)	2,946,513	(531,649)	870,557	(842,589)	12,813,304	(3,475,399)	(429,735)	0	(714,560)
CASH AND INVESTMENTS, JULY 1	109,132,260	131,280,675	18,371,075	531,649	7,042,453	7,733,201	0	8,047,661	470,823	0	12,066,787
CASH AND INVESTMENTS, JUNE 30	\$ 112,961,820	123,062,697	21,317,588	0	7,913,010	6,890,612	12,813,304	4,572,262	41,088	0	11,352,227

Appendix B

CITY OF ST. LOUIS OFFICE OF TREASURER COMPARATIVE SCHEDULE OF PARKING BONDS PAYABLE

		June 30,		
		2007	2006	2005
Series 1996 revenue bonds	\$	0	22,085,000	22,595,000
Series 1999 revenue bonds		0	9,805,000	10,135,000
Series 2002 revenue bonds		0	20,170,000	20,620,000
SLPCFC Series 2003A tax exempt revenue bonds		5,560,000	5,745,000	6,115,000
SLPCFC Series 2003B taxable revenue bonds		6,660,000	6,732,000	6,799,000
Series 2006 revenue bonds		57,900,000	0	0
Total	\$	70,120,000	64,537,000	66,264,000

In December 2007, the Treasurer's Office issued Series 2007 revenue bonds totaling \$12,705,000.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis
Department of Parks,
Recreation, and Forestry



December 2008
Report No. 2008-96

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following findings were included in our audit report on the City of St. Louis Department of Parks, Recreation, and Forestry.

The Forestry Division collected approximately \$860,000 during the year ended June 30, 2008. The computer system billing rates for mowing vacant lots were not set at the correct amount. The division does not submit some billing information to the collection agency in a timely manner and did not submit entire outstanding amounts due to the collection agency for some accounts. The billing system does not provide some information necessary to efficiently operate the division. The Forestry Division is not adequately documenting adjustments and write-offs made in the billing system and the employees who authorized and posted the adjustments or write-offs are not identified and the reason and supporting documentation is not maintained.

The Forestry Division adds an administrative fee of 10 percent to each customer's bill for handling the billings of the Department of Public Safety, Building Division; however, the Forestry Division had no documentation to show how the administrative fee was determined and does not have written authorization to charge this administrative fee. Accounting duties are not adequately segregated and there is no independent oversight related to the Forestry Division receipts. Some monies received are not recorded in a timely manner. The Forestry Division does not generate a report of daily receipts posted to the billing system which could then be reconciled with the spreadsheet and transmittals to the Director's office. Also, some monies received are not transmitted to the Director's office in a timely manner.

The Board of Parks and Recreation, originally established by the City Charter, has been inactive since approximately 1981. The board is to advise the Director of Parks, Recreation, and Forestry on matters relating to parks and recreation. In addition, the board is to hear complaints of individuals and groups concerning the use of the parks and recreational facilities with recommendations to be made to the director. As a substitution the department has created several smaller boards for individual parks such as the Forest Park Advisory Board which was formed in 1996. By letting the Board of Parks and Recreation become inactive, it appears the department is in violation of the City Charter.

The Forestry Division has not entered into a written agreement for grass cutting, weed maintenance, and debris removal on property owned by the Land Reutilization Authority (LRA). The division currently maintains approximately 3,500 properties for the LRA. The LRA made a payment of \$100,000 to the Forestry Division for the services performed during the year ended June 30, 2008, but according to Forestry Division billing records the grass, weed, and debris charges were \$1,658,000 for the year. There is no documentation showing how the \$100,000 was determined nor is there a written

YELLOW SHEET

agreement or policy documenting the duties and responsibilities of the Forestry Division regarding the LRA land. In addition, the Parks Division performed grass cutting services without charge for a not-for-profit organization, which is prohibited by the Missouri Constitution.

The Department of Parks, Recreation, and Forestry leases space to a catering company in Forest Park and has not conducted a review of the company's accounting records nor requested the Internal Audit Section of the Comptroller's office to conduct a review of the records to ensure the accuracy of the gross revenues reported to the department. By not conducting a review of the catering company's accounting records, the department cannot ensure the amount of reported gross revenues for the rent calculation is accurate.

Some emergency purchases did not appear to meet the city's definition of "emergency" and the department does not have one individual responsible for approving emergency purchases. It appears the department may be using emergency purchases to circumvent normal city purchasing procedures.

For the year ended June 30, 2008, the Parks Division collected approximately \$1,010,000 in receipts. The numerical sequence of receipt slips is not accounted for properly and voided receipt slips are not properly defaced and retained. The Parks Division receives money for items such as softball league fees, special events, athletic field rentals, Jewel Box admissions and weddings.

The petty cash fund maintained for Soulard Market was \$80 short because the Market Manager deposited a reimbursement check into a personal account. In addition, the method of payment is not indicated on some receipt slips issued for the market and the composition of receipt slips is not reconciled to transmittals.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
DEPARTMENT OF PARKS, RECREATION, AND FORESTRY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of Parks, Recreation, and Forestry
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the years ended June 30, 2008 and 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended June 30, 2007, since the audit for the year ended June 30, 2008, had not been completed. We have conducted an audit of the City of St. Louis Parks, Recreation, and Forestry Department. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we are assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or either legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Parks, Recreation, and Forestry.

Additional audits of various officials and departments of the city of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF PARKS, RECREATION, AND FORESTRY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.

Forestry Division

The Forestry Division does not charge the most current billing rates for mowing vacant lots, submit outstanding amounts due to the collection agency in a timely manner, or submit entire amounts due to the collection agency. The computerized billing system has become inefficient and ineffective at providing support to the division. The division cannot produce a report of adjustments and write-offs made in the billing system. In addition, the division does not have adequate documentation indicating how the administrative fee was calculated for the Department of Public Safety, Building Division billings, and controls over receipts are lacking.

The Forestry Division uses a computerized billing system to handle account information, billing, and receipt of monies for maintenance of grass, weeds, and trees; building demolition; vacant building fees; and building board-ups. The division collected approximately \$860,000 during the year ended June 30, 2008.

A. The following concerns were noted with the computerized billing system:

- The computer system billing rates for mowing vacant lots were not set at the correct amount. In February 2007, the rate of \$.0107 per square foot was approved by the division. A review of several current accounts in the billing system noted charges for vacant lot grass cutting were still billed at the old rate of \$.0100 per square foot.

To avoid the loss of revenues, the division should ensure the billing system is correctly updated when billing rates are changed.

- The division does not submit some billing information to the collection agency in a timely manner. Division officials indicated an outstanding account is submitted to the collection agency when the account reaches 90 days old. Four of ten accounts reviewed were significantly past the 90 day limit before being submitted to the collection agency. These four accounts were submitted to the collection agency after 112 to 183 days. In addition, the division did not submit the entire outstanding amount to the collection agency for some of these accounts. Division personnel could not provide an explanation of why the entire amount due was not submitted.

To help ensure division revenues are maximized, the delinquent accounts should be submitted to the collection agency on a timely basis. In addition, the division should ensure the entire amount outstanding is submitted to the collection agency.

- The billing system does not provide some information necessary to efficiently operate the division. For example as noted in part B, the department is not able to prepare a report of adjustments and write-offs from the billing system. In addition, as noted in part D, the division is not able to prepare a report of daily receipts posted to the billing system. According to department personnel, the billing system is old and difficult to use.

The billing system should provide the financial data needed by the Forestry Division to effectively and efficiently process billing data. A comprehensive review and cost analysis of the billing system would provide the Forestry Division with data to make an informed decision regarding the replacement of the system.

- B. The Forestry Division is not adequately documenting adjustments and write-offs made in the billing system. The Forestry Division indicated adjustments to grass, weed, and debris maintenance billings are made for various reasons, such as incorrect address, and accounts are written off when the Land Reutilization Authority (LRA) acquires the property (the amounts owed by previous owners are coded to the billing system as uncollectible). These adjustments and write-offs are entered into the division's computerized billing system; however, the division currently is unable to produce a report from the billing system showing the amount and number of adjustments and write-offs. In addition, the employee who authorized and the employee who posted the adjustment or write-off is not identified and the reason and supporting documentation for the adjustment or write-off is not maintained.

To ensure all billing adjustments and write-offs are valid, the authorizing employee and reason should be adequately documented. In addition, a report should be generated from the billing system, and a periodic review and approval of all such billing adjustments and write-offs by an appropriate management official should be documented.

- C. The Forestry Division has not documented how the administrative fee charged for handling billings for the Department of Public Safety, Building Division was established or determined. The Forestry Division performs all billing duties related to building demolition, vacant building fees, and building board ups for the Building Division. The Forestry Division adds an administrative fee of 10 percent to each customer's bill for handling these billings; however, the Forestry Division had no documentation to show how the administrative fee was determined. In addition, the Forestry Division does not have written authorization

through the City Charter, Revised Code, or policy to charge this administrative fee. During the year ended June 30, 2008, the Forestry Division collected approximately \$173,000 in total billings for the Building Division.

The Forestry Division should calculate and document the administrative costs of providing the Building Division with billing services. The 10 percent fee should be set at a level sufficient to cover only the cost of the service.

D. Controls over receipts are lacking. Receipt slips are issued for cash and check payments received in the office; however, receipt slips are not issued for payments by check received in the mail. All payments received are logged in a spreadsheet and entered in the billing system. Monies are then transmitted to the Director's office. The following control weaknesses were noted:

1. Accounting duties are not adequately segregated and there is no independent oversight related to the Forestry Division receipts. There are seven employees in the administrative section of the division and each has access to the entire billing system which includes entering new accounts into the system; posting receipts, adjustments, and write-offs to the billing system; and receiving and transmitting of monies.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary.

2. Some monies received are not recorded in a timely manner. A cash count performed on July 31, 2008, indicated none of the payments received over the previous six days were recorded in the billing system or the spreadsheet.

Receipts should be recorded on the spreadsheet immediately upon receipt. An immediate record of receipts is necessary to properly document and account for all monies received.

3. The Forestry Division does not generate a report of daily receipts posted to the billing system which could then be reconciled with the spreadsheet and transmittals to the Director's office. A reconciliation of the receipt information posted to the billing system would allow the division to detect possible problems in the monies collected.

The division should ensure funds are properly accounted for by reconciling the billing system records to the spreadsheet and transmittals to the Director's office.

4. Some monies received are not transmitted to the Director's office in a timely manner. In addition, checks and money orders received are not restrictively endorsed immediately upon receipt. Monies are usually collected each business day, but transmittals are normally made approximately once a week. A cash count performed on July 31, 2008, totaling \$2,763, included 6 days of receipts and contained 25 checks and money orders which had not been restrictively endorsed.

To safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt. Deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Department of Parks, Recreation, and Forestry:

- A. Evaluate the need for a new billing system to provide the necessary information for the Forestry Division. The division should ensure the correct billing rates have been entered into the system. In addition, the division should ensure accounts over 90 days old are submitted to the collection agency in a timely manner and the entire outstanding account is submitted to the collection agency.
- B. Ensure the authorization and reasons for any billing adjustments or write-offs are adequately documented by the Forestry Division. In addition, the periodic review and approval of all such billing adjustments and write-offs by an appropriate management official should be documented.
- C. Review and document the costs of administering the Department of Public Safety, Building Division's billing service and establish the administrative fee to recover those costs.
- D.1. Segregate the accounting duties of the Forestry Division to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.
2. Ensure all receipts are promptly recorded on the spreadsheet.
3. Ensure the division reconciles receipts per the spreadsheet to the billing system and to amounts transmitted.

4. Ensure all receipts are deposited intact on a timely basis. In addition, all checks should be restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

- A. *The Forestry Division certainly concurs with the auditors overall finding that our current billing system has become inefficient and ineffective at providing support to the division. Forestry will make a follow up request to the Information Technology Services Agency (ITSA) for assistance in implementing a new billing system to ensure accuracy with all billable services conducted and documented. A new billing system is critical given the revenue Forestry collects, with over 25 percent of all city services handled by this division. Forestry corrected the February 2007 per square foot rate (vacant lot grass maintenance) the next business day with ITSA assistance after being apprised by the auditor. Forestry will test the system to ensure accuracy on all ordinance costs prior to the March 2009 mass mailing and has recently requested the Internal Audit Section to review said costs. Forestry will request ITSA to ensure all 90 day old delinquent accounts are accounted for with a follow up review after each monthly file is emailed to the collection agency.*
- B. *The Forestry Executive Assistant will periodically review a listing of billing adjustments to ensure all are properly authorized with a specific reason for the adjustment. Given limited administrative staff of four individuals to handle necessary adjustments, supervisory oversight should suffice in lieu of segregated duties with only one specified individual handling all on a rotating monthly schedule. The addition of a "Daily Adjustment Report" with a notes section (e.g., LRA assumed ownership of property) will be requested from ITSA with periodic, supervisory oversight emphasized.*
- C. *Forestry will ask Internal Audit to include a review of all possible associated costs and administrative time relative to billings received from the Building Division. Any necessary revision of the 10 percent administrative account charge will be implemented when completed.*
- D.1. *General segregation of duties is the current practice in Forestry; however, the four customer service representatives are asked to handle any duties that may overlap. Our administrative resources are lean but periodic supervisory checks on the billing process will be emphasized.*
2. *All receipts must be documented in the applicable spreadsheet immediately upon receipt. Random supervisory reviews of the spreadsheet will be conducted.*
3. *Forestry will implement a "Walk in Customer Receipt Process" schedule to ensure that any possible question about a payment received on a specific business day will be attributable to only one Customer Service Representative. Further, any "Walk in" receipts must be signed by the Executive Assistant, Executive Secretary, or designate before the close of the same business day. A monthly payment review process will be implemented December 1, 2008, to ensure payments received and entered in billing*

match the spreadsheet payment listing and payment/revenue ledger maintained at the Director's office.

4. *Periodic supervisory checks will be conducted to ensure that all payments/receipts are entered the same day or no later than the next business day. All payments received in Forestry must be at the Director's office no later than the next business day. Forestry currently has a "For Deposit Only" stamp and any payment will be marked as such immediately upon receipt. The reason for no immediate deposit only stamp is attributable to the Executive Secretary verifying that the account information on the payment was accurate prior to processing.*

2.

Board of Parks and Recreation

The Board of Parks and Recreation has been allowed to become inactive. City Charter, Article XIII, Section 14-B, establishes a six member board of parks and recreation. The members are to be appointed by the Mayor, and the board is to advise the Director of Parks, Recreation, and Forestry on matters relating to parks and recreation. In addition, the board is to hear complaints of individuals and groups concerning the use of the parks and recreational facilities with recommendations to be made to the director.

The Department of Parks, Recreation, and Forestry indicated the Board of Parks and Recreation has been inactive since approximately 1981. As a substitution, the department has created several smaller boards for individual parks such as the Forest Park Advisory Board which was formed in 1996.

By letting the Board of Parks and Recreation become inactive, it appears the department is in violation of the City Charter. The board could be used as a resource by the director to seek advice and recommendations on issues concerning the department. In addition, it appears the board would also be a way individuals and groups could voice concerns about the parks and recreation facilities.

WE RECOMMEND the Department of Parks, Recreation, and Forestry ensure it is in compliance with the City Charter and work with the Mayor's office to reestablish the Board of Parks and Recreation or to determine if a change to the City Charter is necessary.

AUDITEE'S RESPONSE

The Park Department has been establishing boards for individual parks as master plans are developed, as evidenced by Forest Park, Carondelet Park, and Lafayette Park. The City Charter should be amended to dissolve the existing board and replace it with boards established by the Park Director in conjunction with individual plans.

3.**Written Agreements**

The Forestry Division did not enter into a written agreement with the LRA for grass cutting, weed maintenance, and debris removal. In addition, the Parks Division performed grass cutting services without charge for a not-for-profit organization. Also, a review has not been conducted of the accounting records of the catering company which operates the boathouse under a lease agreement with the city.

- A. The Forestry Division has not entered into a written agreement for services performed on property owned by the LRA. The LRA is responsible for taking control of tax delinquent properties which fail to be sold at land tax sales and purchases properties for the Community Development Administration (CDA). The LRA attempts to bring these properties back to a tax-generating status. The Forestry Division is responsible for the maintenance of the properties held by the LRA, including grass cutting, weed maintenance, and debris removal. The division currently maintains approximately 3,500 properties for the LRA. The LRA made a payment of \$100,000 to the Forestry Division for the services performed during the year ended June 30, 2008, but according to Forestry Division billing records the grass, weed, and debris charges were \$1,658,000 for the year. There is no documentation showing how the \$100,000 was determined, nor is there a written agreement or policy documenting the duties and responsibilities of the Forestry Division regarding the LRA land.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- B. The Parks Division performed grass cutting services without charge for a not-for-profit organization. The department entered into a lease agreement with a not-for-profit organization located in Penrose Park. According to department officials, the organization leases approximately half of the 51 acre park including a recreation building and various athletic fields. The lease indicates the organization is responsible for the maintenance and repair of the leased premise area which also includes maintenance of the grass areas. Department officials indicated occasionally when this organization has problems maintaining the grass, it contacts the department and asks for assistance. Department officials indicated the division performs the work since the land is part of a public recreation area and also part of the park area. A department official stated grass maintenance was performed approximately six times in 2008. The department did not bill the organization and it appears the department has donated these services.

Article VI, Section 23, of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. To avoid being a donation, the city needs to ensure the city provided services are billed or part of a written agreement.

- C. A review has not been conducted of the accounting records of the catering company which operates the boathouse under a lease agreement with the city. The boathouse is a year round restaurant and catering facility located in Forest Park. The department entered into a lease agreement with a local catering company to operate and maintain the boathouse on July 1, 2003, for a five year period. The lease was recently renewed for another five year period. The lease agreement calls for a monthly rent payment of which a portion is based on the gross revenues of the catering company. In addition, the lease agreement requires the catering company to keep complete and accurate records of revenues for three years which are to be open to the city for inspection. The Department of Parks, Recreation, and Forestry has not conducted a review of the accounting records nor have they requested the Internal Audit Section of the Comptroller's office to conduct a review to ensure the accuracy of the gross revenues reported to the department. The catering company paid approximately \$185,000 in rent to the department for the year ended June 30, 2008.

There are also other resources available to the Department of Parks, Recreation, and Forestry that could be used to help independently verify some of the information being submitted by the catering company. The License Collector's office receives information on gross sales from businesses, such as restaurants, when applying for a business license. Additionally, an annual report is prepared by the Excise Commissioner (EC) showing restaurants applying for retail liquor licenses which includes monthly food and beverage sales. The EC provides this information annually to the License Collector's office.

By not conducting a review of the catering company's accounting records, the department cannot ensure the amount of reported gross revenues for the rent calculation is accurate. A periodic review of the accounting records would help ensure the department is receiving the proper rent payment. In addition, information received from the catering company could be verified with information submitted to other city government offices.

WE RECOMMEND the Department of Parks, Recreation, and Forestry:

- A. Enter into formal written contracts for services rendered or obtained.
- B. Bill for all services rendered such as grass cutting.
- C. Ensure a periodic review is conducted of the boathouse accounting records to ensure accounting records and rent payment calculations are accurate. In

addition, the department should verify information received with other city government offices.

AUDITEE'S RESPONSE

- A. *Forestry has performed grass maintenance and debris removal services on all city-owned (LRA) properties for many years. The Commissioner of Forestry sends an annual report to LRA in August which lists totals of all billed services performed during the prior fiscal year. The documented services are all billed services. "Payments" received from LRA have not been received on an annual basis by Forestry. Given Forestry's responsibility of maintaining all LRA properties, the annual report could be signed after received by Forestry and forwarded to the Mayor's office and/or Budget Division to verify all services performed. The Forestry Division will enter into a formal written agreement with LRA for services rendered contingent upon funding received by Forestry from LRA.*
- B. *After further review of the lease with the not-for-profit organization at Penrose Park, the lease states the "Tenant shall pay all maintenance and repair expenses within the leased premise area, whether the repairs and maintenance are of a structural or non-structural nature, ordinary or extraordinary, foreseen or unforeseen, and regardless of the circumstances under which the necessity or desirability for such repairs may occur. The maintenance and repair expenses shall include the cost of maintaining or repairing grass areas and any part of the facility as it exists after the completion of construction, or may later be installed or added".*
- Therefore, in the future, the Parks Division, if required to assist with grass maintenance, will invoice the not-for-profit organization at a rate equivalent to the current square foot cost established and approved by the Forestry Division. The rate as of February 2007 was \$0.0107 per square foot.*
- C. *An audit has not yet been performed during the most recent agreement period. The Audit Section of the Comptroller's office will be asked to perform an audit as recommended.*

4. Emergency Purchases

Some emergency purchases did not appear to meet the city's definition of "emergency." City policy states an emergency purchase can only be made when a condition exists which might cause injury to a person or property damage, or seriously impair public health or services. Two of five "emergency" purchases reviewed did not appear to meet this definition. These "emergency" purchases included the following:

- The Recreation Division purchased a snow-cone machine for \$583 which was needed for a summer day camp.
- The Director's office purchased basketball uniforms for \$1,215 for a young adult basketball program.

In addition, the department does not have one individual responsible for approving emergency purchases. The department has authorized up to ten individuals to approve emergency purchases.

It appears the department may be using emergency purchases to circumvent normal city purchasing procedures. The department should work with the Supply Division and the Comptroller's office to ensure emergency purchases meet the city's definition of an emergency and that all applicable procedures are followed for such purchases. In addition, the department should attempt to centralize the approval process for emergency purchases through one individual. This would help to ensure emergency purchases are made in accordance with standard city purchasing procedures, purchases are reasonable and necessary, and the city receives the best price for all purchases.

WE RECOMMEND the Department of Parks, Recreation, and Forestry ensure emergency purchases meet the definition of an emergency and centralize the approval process for emergency purchases through one individual.

AUDITEE'S RESPONSE

Existing City Policy/Regulation should be amended to create a new category of purchase to address unanticipated needs utilizing a similar approval process for emergency purchases.

5.

Parks Division Receipts

The numerical sequence of receipt slips is not accounted for properly and voided receipt slips are not properly defaced and retained in the Parks Division. The division receives monies for items such as softball league fees, special events, athletic field rentals, and Jewel Box admissions and weddings. During the year ended June 30, 2008, the division collected approximately \$1,010,000. To ensure all fees and rentals are properly recorded and transmitted, the division should ensure the numerical sequence of receipt slips is accounted for properly. In addition, some voided receipt slips were not properly defaced and retained. Several voided receipt slips had two of the three copies shredded and several others were left blank or were partially filled out. To ensure all receipt slips are properly accounted for, all voided receipt slips should be properly defaced and retained.

WE RECOMMEND the Department of Parks, Recreation, and Forestry, Parks Division, require the numerical sequence of receipt slips be accounted for properly, voided receipts be properly defaced, and all copies of voided receipt slips be retained.

AUDITEE'S RESPONSE

The Parks Division currently uses a numerical sequence of receipt slips. The problem arose with checks received for the Forest Park Softball and Football Leagues run by a Park Supervisor. The payments for these leagues go directly to the Park Supervisor and not the Permit Section, whether received by mail or in person. So if a team came into the office to make payment in lieu

of sending the payment via mail, a receipt was issued by the Permit Section but the Park Supervisor would hold the(se) check(s) in order to make sure he had sufficient teams to create a full league. This resulted in the receipt date not corresponding with the deposit date. In the future, all payment fees for the Forest Park Softball and Football Leagues, whether received by mail or in person, will be handled by the Permit Section and deposited on the same day. If at a later date it is determined that there are not sufficient teams to form a league and a refund to the team is necessary, the Permit Section will handle that via the Comptroller's office which is our normal procedure on all other permits.

In regards to voided receipts, all voided receipts will remain in the numerically sequenced receipt book and a notation will be made on the voided receipt as to why the receipt had been voided.

6.

Soulard Market

The Soulard Market petty cash fund is short \$80 and the petty cash ledger is not adequately maintained. Also, the method of payment is not indicated on some receipt slips.

Soulard Market is a farmers market with stands for rent to vendors to sell various goods such as fruits, vegetables, crafts, etc. The Department of Parks, Recreation, and Forestry took over administrative and supervisory responsibilities for the market from the Department of Public Utilities on July 1, 2008. The market collects monies for daily, monthly, and yearly market stand rentals, truck storage fees, and the sale of miscellaneous tourist items. Receipts for the year ended June 30, 2008, totaled approximately \$261,000.

- A. The market's petty cash fund is short \$80 because the Market Manager deposited a petty cash reimbursement check into a personal account. According to the Market Manager, a petty cash fund of \$100 is maintained for miscellaneous purchases for the market. Our cash count on August 28, 2008, indicated receipts of \$20 and cash on hand of \$0, resulting in a shortage of \$80. The Soulard Market Manager indicated she had received a check for \$80, dated July 25, 2008, to replenish the fund and had given the check to her husband who then deposited the check in error into their personal bank account. The Market Manager indicated she intended to place the monies in the petty cash fund, but did not have an opportunity to return the monies.

In addition, a petty cash ledger supporting the petty cash fund's activity did not adequately document receipts, disbursements, and the balance of the petty cash fund. The Market Manager maintained two fiscal year 2009 petty cash journals and neither of the journals had the correct balance of the account. One of the journals kept a balance based on the amount of the last reimbursement check instead of the fund's \$100 starting amount and the other journal appeared to have mathematical errors.

To ensure monies are properly handled and recorded, a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund should be maintained and reconciled to amounts on hand on a periodic basis.

- B. The method of payment (cash or check) is not indicated on some receipt slips issued. The Market Manager maintains two receipt slip books. One is used strictly for daily stand rentals which are payable only in cash. The other receipt slip book is used for tourist items which are payable only in cash, and monthly and yearly stand rentals and truck storage space rentals which are payable by cash or check. The method of payment is not marked on some of these receipt slips.

To adequately account for receipts and reduce the risk of loss or misuse of funds, receipt slips should indicate the method of payment (i.e. cash, check, or money orders). In addition, the composition of receipts should be reconciled to the composition of the transmittal to ensure all receipts have been accounted for properly.

WE RECOMMEND the Department of Parks, Recreation, and Forestry ensure:

- A. The petty cash funds are repaid by the Market Manager. In addition, the ledger should properly account for the receipts, disbursements, and balance of the petty cash fund.
- B. The method of payment is recorded on receipt slips and the composition of receipt slips is reconciled to transmittals.

AUDITEE'S RESPONSE

- A. *Repayment has been made and written procedures will be established for the use of the petty cash fund to ensure accurate records/accounting.*
- B. *The use of two receipt books has been stopped. One receipt book is now used for all transactions. The receipt book now in use has spaces to be completed for method of payment and employees have been instructed to always check the appropriate box, and receipts are reconciled to the composition of the transmittal.*

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF PARKS, RECREATION, AND FORESTRY
HISTORY AND ORGANIZATION

The City of St. Louis Department of Parks, Recreation, and Forestry was created by a Charter Amendment in 1958. The department consists of the Director's Office and three divisions which include the Parks Division, the Recreation Division, and the Forestry Division. The Mayor appoints a director to oversee the operations of the department. The director is responsible for the supervision and coordination of all activities for the three divisions. Currently, the Director of Parks, Recreation, and Forestry is Gary Bess who was appointed in April 2001. The department has approximately 308 full-time and 230 part-time employees.

The following briefly describes the responsibilities of the director's office and each of the three divisions in the department:

1. Director's Office

The director's office is responsible for the various accounting duties of the department, as well as oversight on purchasing, accounts payable, and receivables. The director's office also has responsibility for strategic planning for the city of St. Louis parks system. In addition, beginning in July 2008, the director's office has administrative responsibility for the operation of Soulard Market, a farmers' market with vendors who rent stands to sell various goods such as fruits, vegetables, crafts, etc.

2. Parks Division

This division is responsible for maintaining the 105 city parks. The park maintenance section mows and trims medians, park strips, and the city parks system. The administrative section has oversight over the day to day operations of the division. The division also issues permits for athletic fields, picnics, vending and concessions, and for any major functions.

3. Recreation Division

This division is responsible for the development and administration of the city's public recreation centers and programs. The division manages nine recreation centers, five indoor swimming pools, and three outdoor swimming pools. The division offers a variety of leisure activities and programs such as summer day camps, soccer camps, sports leagues, senior citizen activities, etc.

4. Forestry Division

This division has several sections, including a tree section with responsibility for the planting, care, and maintenance of approximately 80,000 street and 25,000 park trees. The division also has a weed control section responsible for maintaining vegetation growing on city property and vacant and occupied lots. The compost section collects

yard waste which is then recycled for use as compost and mulch. In addition, the debris section is responsible for clearing debris from vacant lots and alleys throughout the city.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis Office of the Comptroller



December 2008
Report No. 2008-95

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

The following findings were included in our audit report on the City of St. Louis Office of the Comptroller.

The 1980's era financial computer system utilized by the Comptroller's Office does not provide the information necessary to efficiently operate the city. Of the eleven city offices contacted, eight maintain additional separate financial records because the city's system does not provide adequate information. Maintaining additional records increases the workload of the city offices and appears to be an unnecessary expense to the city. In addition, the financial computer system does not have controls in place to prevent splitting purchases to avoid the city's bidding policies which require bids for all items purchased over \$500 and professional services greater than \$5,000. Also, transfer and journal entry procedures need improvement.

The Comptroller's Office processes approximately \$13.5 million through its payroll computer system each pay period. The 1970's era payroll computer system does not provide the information necessary to efficiently operate the city and is heavily reliant on manual processes. Manual processing increases the possibility of errors occurring and not being detected. Because the payroll computer system is a separate system from the city's financial computer system, the Comptroller's Office has to manually enter summarized payroll transactions into the financial system. Payroll transaction data is not readily available and the payroll computer system does not provide adequate information about incentive pay, sick or vacation leave paid upon termination, and back pay.

The Comptroller's Office does not have adequate procedures to verify payroll data and, as a result, does not have assurance transactions are processed accurately. The Comptroller's Office does not ensure the electronic payroll data agrees with the payroll data certified by other city offices that submit payroll data electronically and does not require city offices to certify the accuracy of the processed payroll data. In addition, time sheets are not prepared for some non-civil service employees.

The Comptroller's Office sometimes did not enter into contracts as required by state law. The Comptroller's Office did not have contracts for monies passed through to Tower Grove Park and Metro totaling approximately \$696,000 and \$17.8 million, respectively, in fiscal year 2007. In addition, the Comptroller's Office did not have a contract for \$75,000 paid for teaching program services during fiscal year 2007.

The Comptroller's Office transmits approximately \$5 million of non-federal monies to the City Treasurer each month. Numerous employees in the Comptroller's Office collect or receive checks and money orders. These monies are transmitted to other employees for

(over)

YELLOW SHEET

additional processing prior to being recorded and transmitted to the Treasurer. To safeguard monies from theft, loss, or misuse, the number of employees who receive and handle monies should be limited to the extent possible. In addition, checks and money orders are not always recorded on either official prenumbered receipt slips or a log immediately upon receipt.

The Comptroller used a city-owned vehicle for commuting purposes and did not report the commuting mileage as additional compensation. Records and monitoring procedures for the Comptroller's Office pool vehicles and assigned vehicles are not sufficient. The Comptroller's Office does not require vehicle usage logs to be maintained for the vehicles. Finally, some vehicles had low mileage which can often indicate vehicles are not used efficiently. Permanent vehicle assignments should be reviewed to determine if they are necessary and justified for business purposes.

Also included in the audit report are recommendations related to revenue maximization, capital asset controls and procedures, and federal travel advances.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. LOUIS
OFFICE OF THE COMPTROLLER

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

To the Honorable Comptroller
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Office of the Comptroller. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the office has adequate internal controls over significant management and financial functions.
3. Determine if the office has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of the Comptroller.

Additional audits of various officials and departments of the city of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
OFFICE OF THE COMPTROLLER
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Accounting Controls and Procedures
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The financial computer system utilized by the Comptroller's Office does not provide the information necessary to efficiently operate the city or include controls to prevent the avoidance of bid requirements. Transfer and journal entry procedures also need improvement.

- A. The financial computer system utilized by the Comptroller's Office does not provide the information necessary to efficiently operate the city. The system was obtained by the city in the early 1980's.
- Of the eleven city offices contacted, eight maintain additional separate financial records because the city's financial computer system does not provide adequate information. For example, the Comptroller's Office, Airport, and the Parking Division of the Treasurer's Office maintain additional separate financial records because the city's financial computer system does not allow for accrual basis financial statements throughout the year.
 - The financial computer system does not always provide information needed by city offices. For example, the Comptroller's Office prepares a summary report which is used when reconciling the financial computer system to the Treasurer's records.

Maintaining additional records increases the workload of the city offices and appears to be an unnecessary expense to the city. The financial computer system also should provide the data needed by various city offices in order to effectively and efficiently process financial records and transactions. A comprehensive review and cost analysis of the financial computer system would provide the Comptroller's Office with data to make an informed decision regarding the replacement of the system.

- B. The city's financial computer system does not have controls in place to prevent splitting purchases to avoid the city's bidding requirements. City policies require bids for all items purchased over \$500 and professional services greater than \$5,000. Although the Comptroller's Office personnel attempt to ensure purchases are not included on multiple invoices that are processed on the same day, there are no built in controls in the financial computer system to detect such payments.

The Comptroller's Office should modify the city's financial computer system to monitor purchases to ensure the established purchasing limits are not circumvented.

C. Transfer and journal entry procedures need improvement.

1. Two employees in the Comptroller's Office prepare transfers and journal entries which are then recorded on the city's computerized general ledger. There are no documented reviews and approvals of these transfers and adjustments by an independent person.

All transfers and adjusting journal entries should be properly reviewed and approved to ensure such entries are appropriate.

2. Transfers and journal entry requests received from city offices are not recorded on a log immediately upon receipt. In addition, some entries are not recorded in the general ledger in a timely manner. For example, a journal entry request from the Police Department which was dated January 2006 was not recorded in the city's computerized general ledger until October 2006.

To adequately account for transfers or journal entries, requests should be recorded in a log immediately upon receipt and recorded in the general ledger on a timely basis. In addition, the log and general ledger should be reconciled.

WE RECOMMEND the Comptroller:

- A. Evaluate the need for a new financial computer system that will provide the necessary information for all city offices.
- B. Modify the city's financial computer system to monitor purchases to ensure the established purchasing limits are not circumvented.
- C.1. Establish procedures to ensure transfers and journal entry transactions are adequately reviewed and approved.
 2. Ensure all transfers and journal entry requests received are immediately recorded in a log and recorded in the general ledger on a timely basis. In addition, the log and general ledger should be reconciled.

AUDITEE'S RESPONSE

- A. *The Comptroller's Office agrees that a new financial computer system would be beneficial to the entire city and would provide the necessary information to all departments. A request for a new financial computer system has been denied again and*

again due to budget constraints and political climate. A new financial computer system would pay for itself in efficiencies and savings in the long term. The Comptroller's Office will revisit the process to purchase the new financial computer system each budget cycle.

- B. The Comptroller's Office has requested that a report be generated by IT to monitor purchases to ensure the purchasing limits are not circumvented. Such a report shall identify multiple purchases from the same vendor by the same department under the established \$500 limit. Departments will be asked to certify that they are not attempting to circumvent the established purchasing limit.*
- C.1. The Comptroller's Office has established new procedures to ensure transfers and journal entries are adequately reviewed and approved. The new procedure requires the appropriate accounting professional, i.e., the Deputy Comptroller, Accounting Manager, or the Accounting Coordinator to review, sign, and approve each journal entry or transfer transaction.*
- 2. The Comptroller's Office has improved procedures whereby transfers and journal entry requests received from other departments after being reviewed and approved, are immediately recorded into the general ledger in a timely manner. The general ledger is reconciled monthly by receiving a report of entries received and making sure they are all recorded in the general ledger.*

2. Payroll Controls and Procedures

The payroll computer system utilized by the Comptroller's Office is inefficient and does not supply the information needed. The Comptroller's Office does not have adequate procedures to ensure the accuracy of payroll data. In addition, time sheets are not prepared for some non-civil service employees.

The Comptroller's Office receives manual or electronic payroll data from city offices every two weeks. Some city offices are under civil service guidelines while others are considered non-civil service. The Comptroller's Office processes approximately \$13.5 million through the payroll computer system each pay period.

- A. The payroll computer system utilized by the Comptroller's Office does not provide the information necessary to efficiently operate the city and is heavily reliant on manual processes. The system was obtained by the city in the early 1970's.
- The computer system is heavily reliant on manual processes. Several city offices compile manual time information. This information is then entered by each office manually onto a time summary which is then entered manually into the payroll computer system by the Comptroller's Office.

- The payroll computer system is a separate system from the city's financial computer system. As a result, the Comptroller's Office has to manually enter summarized payroll transactions into the city's financial computer system.
- Payroll transaction data is not readily available. Payroll transaction data for each pay period is stored on a data tape. The current payroll data only includes the year-to-date payroll data for each employee. Information for each month or pay period is not readily available.
- The payroll computer system does not track payroll costs by project or grant. As a result, several city offices maintain separate records to account for payroll costs.
- The payroll computer system does not provide adequate information about payroll adjustments which include incentive pay, sick or vacation leave paid upon termination, and back pay. In order to determine the reason for a payroll adjustment, the supporting documentation has to be reviewed. As a result, the city is unable to easily generate information related to the total amount paid for incentive pay, sick or vacation leave paid upon termination, and back pay.

Manual processing increases the possibility of errors occurring and not being detected. The payroll computer system also should provide the data needed by various city offices in order to effectively and efficiently process and manage payroll. A comprehensive review and cost analysis of the payroll computer system would provide the Comptroller's Office with data to make an informed decision regarding the replacement of the system.

- B. The Comptroller's Office does not have adequate procedures to verify payroll data and, as a result, does not have assurance transactions are processed accurately.
- For city offices that submit payroll data electronically, the payroll data is printed and certified by an official in the respective city office. However, the Comptroller's Office does not ensure the electronic payroll data agrees with the certified payroll data. As a result, changes may be made to the electronic payroll data after it has been certified by an official.
 - The Comptroller's Office does not require city offices to certify the accuracy of the processed payroll data. Various payroll reports are distributed to city offices to verify the accuracy of the processed payroll data. However, the Comptroller's Office does not require the city offices to return this report unless an error is noted. As a result, there is no assurance the final payroll is correct.

- C. Time sheets are not prepared for some non-civil service employees. For example, employees in the Board of Aldermen's Office do not prepare time sheets although they do not appear to be exempt from federal Fair Labor Standards Act (FLSA) requirements (See audit report No. 2008-62 issued in September 2008).

Proper control over payroll requires documentation, such as time sheets, signed by the employees and approved by their supervisors, to provide evidence of the time worked and leave taken each pay period. Detailed time sheets also are beneficial in demonstrating compliance with the FLSA requirements.

WE RECOMMEND the Comptroller:

- A. Evaluate the need for a new payroll computer system that will provide the necessary controls and information for all city offices.
- B. Ensure the electronic payroll data agrees with the certified payroll data. The Comptroller's Office should also ensure the city offices certify the accuracy of the final processed payroll data.
- C. Require all employees that are not exempt from FLSA requirements to prepare time sheets of actual hours worked and leave taken.

AUDITEE'S RESPONSE

- A. *The Comptroller's Office agrees that a new payroll computer system will benefit the entire city greatly. However, budget constraints are a factor. The Comptroller's Office will work with city leaders to purchase a new payroll system that would provide the necessary information and controls for all city departments.*
- B. *The Comptroller's Office has implemented a new procedure that requires each city department to certify the accuracy of the final payroll. The electronic payroll is reconciled with the certified payroll data.*
- C. *The Comptroller's Office employees are required to prepare time sheets. All other city departments where city employees are not exempt from FLSA shall be required to prepare time sheets of hours worked and leave taken.*

3. Contracts

The Comptroller's Office sometimes did not enter into contracts when appropriate. The Comptroller's Office did not have contracts for monies passed through to Tower Grove Park and Metro totaling approximately \$696,000 and \$17.8 million, respectively, in fiscal year 2007. In addition, the Comptroller's Office did not have a contract for \$75,000 paid for teaching program services during fiscal year 2007.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts should clearly outline expectations, provide a means for the city to monitor compliance with the contract terms, and provide protections for the city in the event of a dispute over the terms of the agreement.

WE RECOMMEND the Comptroller enter into contracts when appropriate and ensure contracts contain adequate details and protections for the city.

AUDITEE'S RESPONSE

All contracts entered into directly by the Comptroller's Office are in compliance with all legal requirements. The Comptroller's Office does not have sole discretion or authority to contract with the vendors cited here on behalf of the city without the appropriate emergency guidelines as provided by law. The Comptroller's Office will request that the City Counselor review contract requirements for Tower Grove Park, Metro, and Teach for America to bring the city into compliance.

4. Receipt Controls and Procedures

The Comptroller's Office procedures for non-federal receipts need improvement. Numerous employees in the Comptroller's Office collect or receive checks and money orders. These monies are not always recorded on prenumbered receipt slips or a log and are not restrictively endorsed immediately upon receipt. Receipts are also not transmitted in a timely manner. The Comptroller's Office transmits approximately \$5 million of non-federal monies to the Treasurer each month.

- A. Numerous employees in the Comptroller's Office collect or receive checks and money orders. These monies are transmitted to other employees for additional processing prior to being recorded and transmitted to the Treasurer. For example, four Comptroller employees process the initial tax increment financing administrative fees prior to transmittal. To safeguard monies from theft, loss or misuse, the number of employees who receive and handle monies should be limited to the extent possible.
- B. Checks and money orders are not always recorded on either official prenumbered receipt slips or a log immediately upon receipt. These monies are also not transmitted in a timely manner. For example, a payroll reimbursement check from the License Collector was received on January 22, 2008, but was not transmitted to the Treasurer until February 13, 2008 (22 days). In addition, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, checks and money orders should be recorded on either official

prenumbered receipt slips or a log immediately upon receipt and this record should be reconciled to the transmittal to the Treasurer by someone independent of the receipting and collection functions. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and transmittals should be made intact on a timely basis.

WE RECOMMEND the Comptroller:

- A. Limit the number of employees who can receive or process monies prior to recording and transmitting monies.
- B. Ensure all checks and money orders received are immediately recorded on an official prenumbered receipt slip or collections log which is reconciled to the transmittal to the Treasurer by someone independent of the receipting and collection functions. The Comptroller should also transmit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

- A. *The Comptroller's Office has enhanced its procedures to process monies received in the office to improve internal controls. First, checks and money orders are restrictively endorsed immediately upon receipt. A single employee is responsible for recording all monies into a collections log. Finally, to limit the number of employees who handle monies, copies of the checks are made available for further processing by other sections with the Comptroller's Office.*
- B. *After monies have been received and restrictively endorsed they shall be recorded immediately on a collections log, and then transmitted to the Treasurer's Office in a timely manner.*

5. Revenue Maximization

The Comptroller has not established city-wide procedures to ensure reimbursement requests for federal grants are submitted timely. The Comptroller's Office and some other city offices submit reimbursement requests for grants. Each city office develops its own procedures for processing reimbursement requests. At June 30, 2007, reimbursement requests of approximately \$15.5 million were outstanding.

As of March 31, 2008, the Comptroller's Office had not submitted reimbursement requests totaling approximately \$2.4 million for a Department of Justice grant. The reimbursement requests had not been submitted since September 2007 when the employee who was preparing these reimbursement requests left the Comptroller's Office.

Other city offices also did not submit reimbursement requests on a timely basis. For example, the St. Louis Agency on Training and Employment (SLATE) had not submitted reimbursement requests totaling approximately \$2.5 million as of June 30, 2007. SLATE personnel indicated reimbursement requests were only submitted once a month in 2007; however, they now are submitting requests weekly.

Untimely reimbursement requests may result in the loss of grant revenues.

WE RECOMMEND the Comptroller should develop procedures to ensure grant reimbursement requests are submitted in a timely manner.

AUDITEE'S RESPONSE

The Comptroller's Office has enhanced procedures to ensure reimbursement requests for federal grants are submitted timely by each city department receiving federal grants. The updated procedure requires the Accounting Coordinator in the federal grants section to monitor draw downs and requires department heads to work with the federal grants section to ensure reimbursement of federal funds occurs in a timely manner.

6. Capital Asset Controls and Procedures

Records and procedures to account for city property are inadequate. The Comptroller's Office is responsible for maintaining a complete detailed record of city property for all city offices except the Airport, Police Department, Water Division, and License Collector. In addition, each city office is responsible for performing annual physical inventories using a capital asset listing provided quarterly by the Comptroller's Office. As of January 30, 2008, city property, excluding land, buildings, and infrastructure, was valued at approximately \$125 million.

- A. Some city offices do not perform annual physical inventories. In addition, the Comptroller's Office does not require city offices to submit annual physical inventory reports.

In the nine city offices reviewed, we noted the following:

- The Supply Division and Board of Aldermen have not conducted annual physical inventories. The Comptroller's Office, Board of Public Service, and Treasurer's Office perform annual physical inventories only for vehicles.
- Documentation of physical inventories was inadequate for the Department of Personnel and the Department of Parks, Recreation, and Forestry, Parks Division. The Parks Division management indicated an inventory was performed approximately one year ago; however, the records did not document when the inventory was performed. Although the Department

of Personnel management indicated an inventory was performed once a year, there was no documentation of the inventories.

- The Community Development Administration (CDA) used its own capital asset listing to perform an annual physical inventory. The CDA was not aware a capital asset listing was received from the Comptroller's Office because the list was addressed to an employee who had left several years ago.
- The Department of Public Safety, Division of Corrections, only conducts a physical inventory when division staff have time. As a result, some capital asset items have not been inventoried since 2004.

To ensure city offices conduct an annual physical inventory, the Comptroller's Office should require annual inventory documentation be submitted to the Comptroller's Office. Adequate city property records and procedures are necessary to ensure effective internal controls and provide a basis for determining proper insurance coverage. Physical inventories of city property items are necessary to evaluate the accuracy of the records and deter and detect theft.

- B. Property purchases are not reconciled to additions recorded in the property records. As a result, errors in additions to the records are not identified. For example, a vehicle costing \$20,394 was recorded twice in the overall city property record. Periodic reconciliations of the capital asset additions and purchases are needed to ensure all capital assets are correctly recorded on the property records.

WE RECOMMEND the Comptroller:

- A. Require annual inventories be submitted by each city office to the Comptroller's Office.
- B. Ensure capital asset purchases are periodically reconciled to additions.

AUDITEE'S RESPONSE

- A. *The Comptroller's Office has established a policy and procedure whereby each city department shall be required to submit an annual inventory of its assets to the Comptroller's Office. The Comptroller's Office requires each department to certify that they have taken the inventory and have submitted it to the Comptroller's Office each year by September 1st.*
- B. *The Comptroller's Office capital assets section shall reconcile additions to the inventory of each department on an annual basis and certify the same to the Deputy Comptroller for approval.*

7.**Vehicles**

The Comptroller used a city-owned vehicle for commuting purposes and did not report the commuting mileage as additional compensation. Records and monitoring procedures for the Comptroller's Office pool vehicles and assigned vehicles are not sufficient. In addition, vehicles may not be used efficiently and effectively.

- A. The Comptroller used a city-owned vehicle for commuting purposes and did not report commuting mileage to the Internal Revenue Service (IRS) as compensation. The Comptroller reported personal usage of 800 miles on her W-2 form as additional compensation in 2007; however, she did not report commuting mileage of approximately twelve miles per day. The Comptroller does not maintain a vehicle usage log (see part B below) to document miles driven for official, commuting, and personal use. In addition, the IRS reporting guidelines indicate commuting mileage is reportable compensation.
- B. Records and monitoring procedures for the Comptroller's Office pool vehicles and assigned vehicles are not sufficient. The city's vehicle policy does not address records to be maintained for vehicles (See audit report No. 2008-61 issued in September 2008). The Comptroller's Office has approximately 20 pool vehicles which are utilized by other city offices or Comptroller employees and 6 vehicles assigned to Comptroller employees and the Comptroller.

The Comptroller's Office does not require vehicle usage logs to be maintained for the vehicles. Although a check out log is maintained for each of the pool vehicles, the beginning and ending odometer readings, destination, and purpose are not documented on the log.

Without adequate usage logs, the city cannot effectively monitor that vehicles are used for official business only. While the city does document the total monthly mileage for the pool vehicles and the vehicles assigned to the Municipal Garage employees and Comptroller, mileage is not documented for the other assigned vehicles. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by a supervisor to ensure vehicles are used only for city business.

- C. Vehicles may not be used efficiently and effectively.
- One of the pool vehicles was driven only 2,283 miles during calendar year 2007. Comptroller's Office personnel indicated this vehicle is used only by elected officials when their assigned vehicles are not available or by city department managers.
 - The vehicles assigned to the municipal garage manager and lead parking garage attendant were driven 5,143 and 3,734 miles, respectively, during

calendar year 2007. These individuals indicated they used the vehicles for daily commuting, in addition to normal business purposes. The Comptroller's Office was unable to determine the purpose of the mileage because vehicle usage logs are not maintained (see part B above).

Low mileage can often indicate vehicles are not used efficiently. In an effort to reduce costs and to ensure the efficient use of city-owned vehicles, the permanent vehicle assignments should be reviewed to determine if they are necessary and justified for business purposes.

WE RECOMMEND the Comptroller:

- A. Ensure commuting mileage is reported in compliance with IRS requirements.
- B. Require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.
- C. Review pool vehicle usage and permanent assignment of vehicles to ensure vehicles are justified and necessary.

AUDITEE'S RESPONSE

- A. *The commuter mileage reporting oversight has been reported to the IRS and paid for by the Comptroller, in compliance with IRS requirements. The low personal miles reported is directly attributed to the commuter miles reporting error. The reporting form has been improved to avoid future errors. The Comptroller shall maintain a vehicle usage log to document miles driven for more transparency and accountability.*
- B. *Vehicle usage logs have been implemented for all pool vehicles and assigned vehicles.*
- C. *A new procedure has been established to review vehicle usage and permanent assignment of vehicles annually, to ensure vehicles are justified and necessary.*

8. Travel Advances

The Comptroller's Office does not have adequate procedures to ensure reimbursement forms for federal travel advances are submitted on a timely basis. Employees traveling on city business can be advanced up to 70 percent of estimated travel costs. City policy requires employees to complete a travel reimbursement report and turn in related receipts. Additional reimbursement is then made to the employee or the employee returns any excess funds. According to a list maintained by the Comptroller's Office, federal travel advances totaling approximately \$37,000 were paid from August 1, 2007 to April 7, 2008. A list of advances paid prior to this time was not available.

The Comptroller's Office did not follow up on federal travel reimbursement reports that were not received. As of April 7, 2008, employees had not submitted travel reimbursement reports due for 25 travel advances with the oldest dated November 2, 2006.

Travel reimbursement reports are required by the city's travel policy to be sent to the Comptroller's Office within one week of the return date. The Comptroller's Office policy states reports should be followed up on if not received within three weeks of the return date. By not following these policies, there is no documentation to support the nature and reasonableness of the advances paid. In addition, reimbursement requests and supporting documentation are necessary to ensure excess funds are returned to the city.

WE RECOMMEND the Comptroller develop procedures to ensure reimbursement reports for federal travel advances are submitted to the Comptroller's Office on a timely basis.

AUDITEE'S RESPONSE

The Comptroller's Office has implemented a new policy and procedure requiring all travel reimbursement reports, including when federal advances are given, to be submitted to the Comptroller's Office within 30 days of travel. Any employee who does not submit travel reimbursement reports in a timely manner will be denied future travel. Actions will be taken to recover city funds using available legal methods.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
OFFICE OF THE COMPTROLLER
HISTORY AND ORGANIZATION

The Comptroller exercises supervision over all fiscal affairs including the city's property, assets, and claims. The Comptroller is the chief accountant and auditor for the city and also serves on various city boards and commissions. Darlene Green was first appointed Comptroller in October 1995 and first elected Comptroller in August 1996. She was reelected to her current four year term in April 2005.

The Office of the Comptroller has seven sections including Accounting Services, Financial Reporting, Internal Audit, Federal Grants, Asset Management, Finance and Economic Development, and Contract Administration. These seven sections are overseen by two deputy comptrollers and other officers.

The Accounting Services section is responsible for all of the city's accounting activities and is supervised by the Deputy Comptroller. This section reviews and processes accounts payable and payroll, manages and balances the city's financial records, maintains and updates the Central Business Index, and assists with decisions regarding the city's self-insurance program.

The Financial Reporting section is responsible for the city's financial reporting and is also supervised by the Deputy Comptroller. This section prepares financial statements and internal financial and revenue reports, tracks bank reconciliations and investment decisions, administers the lateral sewer program, and manages the city's tax increment financing.

The Internal Audit section provides independent objective assurance and consulting services to virtually all city departments and is supervised by the Internal Audit Executive. This section performs payroll reviews, contract audits, and other various audits and reviews.

The Federal Grants section is responsible for administering the disbursement of federal and state grant funds and was also supervised by the Internal Audit Executive until April 30, 2008. Beginning in May 2008, the Deputy Comptroller supervises the Federal Grants section. This section reviews all federal contracts and reimbursement requests and accounts for receipts from federal agencies.

The Asset Management section manages a group of mutually exclusive city functions including telecommunications, real estate, the municipal garage, record retention, and travel management. The Deputy Comptroller for Finance and Development supervises this section. This section installs and maintains city telephone systems, handles the purchase or sale of real estate, leases and collects rent on city and port leases, manages the fire insurance escrow program, administers operations of the municipal garage, provides pool vehicles for city departments, administers operations of the microfilm and archival library, and administers city-wide travel policies.

The Finance and Economic Development section is responsible for the management of the city's financing arrangements and is supervised by the Deputy Comptroller for Finance and Development. This section assists with economic development and special projects that are

dedicated to improving the city's economic condition and issuance of the city's financing arrangements, and ensures compliance with debt covenants.

The Contract Administration section processes and tracks contracts with outside vendors and is supervised by the Chief Staffing Officer. This section ensures contracts comply with various requirements.

At June 30, 2007, the Office of the Comptroller employed approximately 94 full-time employees.



Susan Montee, CPA
Missouri State Auditor

HEALTH AND SENIOR SERVICES

Food Safety Inspection Program



December 2008
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Improvements Needed In Food Safety Inspection Program

The Department of Health and Senior Services (DHSS), through its Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Environmental Regulation and Licensure, has overall responsibility for ensuring the safety of food items consumed by the public. Because of the importance of ensuring the safety of food, we focused audit objectives on determining whether improvements are needed in the management and oversight of the food safety inspection program.

DHSS reviews of LPHAs not conducted from 1998 until 2008

Until April 2008, DHSS personnel had not conducted the state-wide surveys (evaluations) of LPHA inspections since 1998. DHSS's Environmental Health Operational Guidelines recommend evaluations be conducted every 3 years; however, the department did not conduct the evaluations because of budget and personnel cuts.

DHSS initiated an evaluation of LPHA inspections in April 2008 to (1) ensure inspections done at local levels are high quality, (2) assess the training needs of local health professionals, and (3) evaluate the federal food code. However, as of October 2008, personnel had not compared 2008 survey findings against LPHA finding to fully assess the quality of LPHA inspections. (See pages 6 and 7)

Contract monitoring of LPHAs not always adequate or consistent

Twice a year, 7 regional staff conduct reviews of 114 LPHAs, to ensure LPHAs adhere to contract requirements. However, our review of six LPHAs disclosed regional staff did not always detect LPHA noncompliance with contract requirements in regard to frequency of inspections, risk assessments, and complaint programs. In addition, we found samples used by staff did not always provide adequate coverage, staff lacked consistency in how they handled LPHA problems and consumer complaints, and staff generally did not adequately document agencies reviewed, or findings and corrective action. (See page 7)

Regions not adequately monitoring four cities and temporary food establishments

Regional staff have not adequately monitored the frequency and quality of inspections of 597 retail food service establishments performed by municipal inspectors at Boonville, Fulton, Jefferson City, and Sedalia.

We also found regional staff also had not monitored local inspections of approximately 12,500 temporary food establishments inspected by LPHAs. (See page 13)

DHSS not tracking food establishments	<p>DHSS has relied on LPHAs to identify the number of retail food establishments to be inspected at the local level. In 2002 the department surveyed LPHAs and found there were approximately 28,000 food service establishments that the LPHAs had responsibility over. The department has been working on an automated tracking system since 2007 that will allow personnel to track LPHA food service establishments and determine which establishments the LPHAs are behind in inspecting. However, because of budget issues, the department does not have an estimated timeframe for completing the tracking system. (See page 13)</p>
Funding reductions impact program	<p>Funding reductions have impacted the food safety inspection program. In 2002 decreased department funding caused reductions in regional staffing. For fiscal year 2009, the department has a \$9 million budget for all core contract programs under the Division of Community and Public Health. The department has requested an increase of \$27 million in the fiscal year 2010 budget. The increase would provide the department a budget of about half of the amount surrounding states fund per capita for overall public health purposes, according to a DHSS official. (See page 14)</p>

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Abbreviations

DHSS	Department of Health and Senior Services
LPHA	Local Public Health Agency
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Jane Drummond, Director
Department of Health and Senior Services
Jefferson City, MO

The Department of Health and Senior Services (DHSS), through its Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Environmental Regulation and Licensure, has overall responsibility for ensuring the safety of food items consumed by the public. Because of the importance of ensuring the safety of food, we focused audit objectives on determining whether DHSS adequately reviews the quality of food service establishment inspections performed by 114 local public health agencies (LPHA) and monitors LPHA contract requirements.

Improvements are needed in the department's oversight of the food safety inspection program. We found DHSS did not review the quality of LPHA inspections from 1998 until 2008, or perform adequate and consistent contract monitoring of LPHAs. This situation has occurred because the department (1) reduced oversight functions because of budget-related staff reductions, (2) lacks adequate policies and procedures to ensure effective monitoring of LPHAs, and (3) lacks comprehensive policies that address initial training requirements, as well as continuing education and certification requirements. In addition, the department has not adequately monitored food safety programs in four cities or temporary food establishments, and has not tracked food service establishments. As a result, DHSS cannot be assured that the public's health has been fully protected.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer and key contributors to this report included Robert Spence, Andrea Paul, and Josh Bryant.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Department of Health and Senior Services (DHSS), through its Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Environmental Regulation and Licensure, is responsible for administering the food safety inspection program in Missouri. Section 192.080, RSMo, states that all powers, duties, and administration of laws related to food and drugs shall be exercised by DHSS. DHSS has the authority to inspect and regulate any food facility in the state and the ultimate responsibility for ensuring food is safe for human consumption.

DHSS works in conjunction with federal and local authorities to oversee the safety of food items sold and/or provided to the public. DHSS, through its Center for Local Public Health Services, contracts with 114 local public health agencies (LPHA) to perform various public and environmental health responsibilities through the core contract. The purpose of the contract is to strengthen the public health system by preventing or controlling communicable diseases and environmental health issues, safeguarding the public, and reducing the burden of chronic diseases. Through the contract, LPHAs are responsible for (1) identifying community health problems and educating citizens about those problems; (2) developing and implementing local and statewide emergency response plans and training exercises for natural and man-made disasters; (3) ensuring a system is in place to routinely inspect and provide appropriate follow up of food service establishments; (4) responding to situations where the safety of food is suspect; (5) investigating and documenting the response to complaints related to sewage disposal, food service establishments, water, or drugs; and (6) various other communicable disease requirements.

The LPHAs, through the core contract, inspect approximately 29,000 permanent food service establishments statewide. These establishments include school cafeterias, restaurants, grocery stores, bakeries, and food pantries. DHSS monitors LPHAs through two methods. DHSS periodically conducts survey reviews of LPHAs to assess the quality of LPHA inspections of food service establishments. In addition, the department has 7 regional staff that are responsible for monitoring contracts twice a year to ensure LPHAs adhere to contract requirements.

DHSS receives funds from the U. S. Department of Health and Human Services, Centers for Disease Control and Prevention, other federal agencies, the state General Revenue Fund, and other sources; and distributes funds through contracts that contribute toward local public health programs. DHSS also provides technical support, laboratory services, a communication network, and other vital services to aid local efforts.

Scope and Methodology

To accomplish audit objectives, we interviewed officials and personnel, and reviewed department records at DHSS in Jefferson City and at six LPHAs located in Cole County, Camden County, Maries/Phelps counties, Ralls County, Taney County, and in Kansas City.

To determine whether DHSS complied with department guidelines to conduct survey reviews of LPHAs every 3 years, we interviewed staff to determine how often surveys have been performed and reviewed the 1998 survey results. We also reviewed internal policies and procedures on survey requirements included in DHSS's Environmental Health Operational Guidelines Manual. We reviewed the inspections forms completed in 2008 for food service establishments located in one county. We then compared DHSS's survey results to the inspection forms completed by the LPHA inspector in that county.

To determine whether DHSS regional staff performed adequate contract monitoring, we reviewed LPHA contract requirements, written policies covering routine contract monitoring in the Environmental Health Operational Guidelines Manual, and contract monitoring tools for the 114 LPHAs. We also interviewed regional staff on routine contract monitoring procedures and division management on staff expectations and management oversight procedures. We reviewed the risk assessment forms completed for each establishment in our sample. We then compared the risk level listed on the risk assessment form to the risk level documented on the inventory listing. We sampled 10 percent of high risk food establishment cases, or a minimum of 10 cases, for review at each of the six LPHAs. To gain an understanding of the local food safety programs, we interviewed the LPHA administrators and inspectors, reviewed local ordinances and internal policy manuals, and examined the consumer complaint systems in place. During our file review, we reviewed inspection forms for routine, follow-up, and complaint inspections from January 2006 to July 2008. We also compared the results of our LPHA review to the results of contract monitoring for 2008 conducted by DHSS regional staff.

To determine whether regional staff adequately monitored the four cities in the state that conduct independent reviews of retail food establishments, we interviewed division management and reviewed core contracts with the four LPHAs where the four cities are located. We also reviewed state law to determine whether DHSS has the overall responsibility for monitoring all food service establishments.

To determine whether existing food service establishments had been identified by DHSS, we interviewed division management, and we obtained and examined the inventory listings at the six LPHAs reviewed.

To determine whether DHSS personnel monitor local inspections of temporary food service establishments, we interviewed regional staff and division officials. To determine whether LPHAs inspect and monitor temporary food service establishments, we interviewed the administrator and/or inspector at the 114 LPHAs. We also surveyed the 114 LPHAs to determine the number of inspections conducted at temporary food service establishments in calendar year 2007.

Improvements Needed In Food Safety Inspection Program

Improvements are needed in the oversight and management of the food safety inspection program. DHSS did not review the quality of LPHA inspections from 1998 until 2008, or always ensure adequate and consistent regional staff reviews of LPHAs. This situation occurred because the department (1) reduced oversight functions as a result of budget-related staff reductions, (2) lacks adequate policies and procedures to ensure effective monitoring of LPHAs, and (3) lacks comprehensive policies that address initial training, as well as continuing education and certification requirements. In addition, the department has not adequately monitored food safety programs in four cities, or maintained a database of retail food establishments. As a result, DHSS cannot be assured that the public's health has been fully protected.

DHSS Reviews of LPHAs Not Conducted From 1998 Until 2008

Until April 2008, DHSS personnel had not conducted the state-wide surveys (evaluations) of LPHA inspections since 1998. DHSS's Environmental Health Operational Guidelines recommend evaluations be conducted every 3 years. In discussing this issue, an official told us personnel did not conduct the evaluations because of budget and personnel cuts. For example, in 2002 the department cut 11 regional staff in response to legislative budget cuts. The department currently has 7 regional staff, one in each region.

The 1998 evaluation found 83 percent of establishments reviewed had critical violations that put the public at risk of food borne illness. The evaluation also found that increased training of public health professionals and timely follow-up inspections would reduce the critical violation rate. However, division personnel could not provide documentation of changes made to the state's food safety program as a result of the 1998 report recommendations.

LPHA review initiated in 2008

DHSS initiated an evaluation of LPHA inspections in April 2008. DHSS officials expect the evaluation to be completed by December 2008. The department initiated the evaluation to (1) ensure inspections done at local levels are high quality, (2) assess the training needs of local health professionals, and (3) evaluate the federal food code. The department also plans to follow-up on any resulting findings to ensure corrective action is taken. However, it will be up to department officials to determine whether the evaluations will be done every 3 years, according to one DHSS official.

According to department personnel, food protection surveys are conducted to assess the quality of food inspections conducted by LPHA inspectors. Department staff select a random sample of retail food establishments and perform inspections at selected facilities. Personnel then compare department inspections to LPHA inspections for the same facilities. This

2008 DHSS evaluation found problems not cited by LPHA, but did not compare findings to LPHA findings

process allows staff to assess the adequacy of LPHA inspections, according to DHSS personnel.

As discussed above, to assess the adequacy of LPHA inspections, department personnel are supposed to compare department inspections to LPHA inspections for the same facilities. However, personnel did not compare 2008 evaluation findings against LPHA findings to fully assess the quality of LPHA inspections. For example, at one LPHA, department personnel found violations at 10 food service establishments that were not found by the LPHA inspector. Seven of the 10 establishments selected by department personnel were included in our sample of establishment inspections for the same LPHA. During our review, we noted the LPHA inspector did not find and/or report any violations for the 7 establishments for a 3-year period from 2006 through 2008. However, DHSS found 44 violations at the 7 establishments.

In discussing this issue, an official told us that as of October 14, 2008, he had not had time to compare survey results to LPHA findings, but planned to do so.

Contract Monitoring of LPHAs Not Always Adequate or Consistent

Twice a year,¹ 7 regional staff conduct reviews of 114 LPHAs, to ensure LPHAs adhere to contract requirements. However, our review of six LPHAs disclosed regional staff did not always detect LPHA noncompliance with contract requirements in regard to frequency of inspections, risk assessments, and complaint programs. In addition, we found samples used by staff did not always provide adequate coverage, staff lacked consistency in how they handled LPHA problems and consumer complaints, and staff generally did not adequately document agencies reviewed, or findings and corrective action.

This situation occurred, in part, because DHSS has not developed written procedures that address contract monitoring. Instead, DHSS has provided regional staff a monitoring tool with a checklist to use as guidance, according to officials. To ensure staff perform adequate and consistent reviews of LPHAs, DHSS officials should provide written procedures for regional staff to follow.

Regional staff assess core contract requirements

The department's core contract requires LPHAs to conduct risk assessments of facilities, perform inspections in accordance with the Environmental Health Operational Guidelines, and perform inspections with the frequency recommended by those guidelines. Regional staff are required to assess the

¹ DHSS staff perform reviews during the first and last quarters of the fiscal year.

LPHA's compliance with requirements included in the core contract. The regional evaluation includes assessing whether:

- A plan is in place that provides guidance for conducting routine and follow-up inspections, including guidelines on the frequency of inspections.
- All facilities or food establishments are identified and included in the plan.
- The plan is equal to, or more stringent, than departmental guidance.
- The plan has been implemented, i.e., routine inspections, follow-up inspections, and complaint inspections were performed.
- A risk assessment has been performed on each food establishment.
- The risk categorization on the inventory listing agrees with the risk assessment form in the file.
- A system is in place to track consumer complaints.
- Consumer complaint calls were investigated and appropriate enforcement actions taken.

Problems found at LPHAs

Our review of six LPHAs disclosed various problems not identified by regional staff. For example, we found:

- Four LPHAs did not always adhere to work plans. We found instances in which establishment inspections were not timely, files did not contain inspection forms, and follow-up inspections had not occurred.
- For three of the LPHAs, the risk categories shown on the inventory listings did not agree with risk assessment forms in food service establishment files.
- Two LPHAs did not conduct risk assessments.
- Two LPHAs did not identify and include establishments in agency work plans.
- Two LPHAs inspected high risk establishments once a year instead of every 9 months as recommended by department guidance.
- One LPHA did not have written procedures in place to track consumer complaints and complaint forms were incomplete.

No problems reported at one LPHA

Regional staff conducted monitoring reviews in February and July 2008 at one LPHA that did not disclose any problems. However, our review of inspection files for 12 of 37 (32 percent) high risk establishments at the LPHA disclosed inspectors did not comply with the LPHA's work plan, which stated high risk establishments would be inspected twice a year; or department guidance, which recommends high risk establishments be

	<p>inspected every 9 months. Instead, LPHA personnel inspected high risk facilities once a year. The inspector told us he did not have time to conduct more than one inspection per year for high risk establishments.</p>
<p>Problems with risk assessments and inspection reports</p>	<p>Our review also disclosed the risk assessment included on the inventory listing for 6 of the 12 (50 percent) establishments reviewed did not agree with the original risk assessment on file. In addition, we also found instances where the original risk assessment was incomplete or not included in the file. According to the inspector, he did not update risk assessment information in the file because it was not necessary. He told us he had been inspecting food establishments for a long time, and he knew the risks for establishments.</p> <p>Also, the page of the inspection report describing violations was missing for 7 of the 12 files (58 percent) reviewed. The inspector told us he did not retain this page of the report because no violations were found.</p>
<p>LPHA lacked procedures for handling complaints</p>	<p>We also found the LPHA had no formal procedures for monitoring its consumer complaint system. For example, our review of complaint files disclosed no organized filing system existed, and complaints were not always written on the form provided by DHSS. Instead, personnel recorded complaints informally on printer paper or note pads and complaints were not always filled out completely.</p> <p>An inspector told us he tries to document complaints and keep copies on file, but it does not always happen. Sound business practices dictate DHSS establish policies and procedures that require LPHAs formulate procedures to ensure complaints at the local level are documented and retained in an organized manner.</p>
<p>Fixed sample size of 10 files sometimes resulted in inadequate coverage</p>	<p>Our analysis of the average percentage of LPHA inspection files selected and reviewed for each region disclosed significant differences in the extent of coverage by regional staff during 2008. As shown in Table 2.1, coverage ranged from .5 percent of the inspection files for the St. Louis region, which included 8,221 food service establishments, to 13 percent of the inspection files for the northeast region, which included 1,635 establishments.</p>

**Table 2.1: Analysis of
2008 LPHA Inspection Files
Reviewed by Regional Staff**

	Number		Overall		Highest/Lowest
Region	of LPHAs	Number of Establishments	Number Inspected	Percentage Inspected	Percentage Inspected per LPHA
Northeast	22	1,635	220	13.5	56/6
Northwest	21	2,095	210	10.0	27/4
Southwest	22	5,453	220	4.0	28/.5
Southeast	21	2,433	210	8.6	29/2
Central	18	3,174	180	5.7	29/1
St. Louis	4	8,221	40	0.5	1/.2
Kansas City	6	5,761	60	1.0	5/1
Totals	114	28,772	1,140	4.0	

Source: SAO analysis of LPHA data and the number of files reviewed by regional staff.

DHSS lacks rationale
and policy on sampling

Sound business practices dictate DHSS officials establish a valid basis for determining appropriate sample sizes that will ensure adequate conclusions can be drawn from sample results.

Regional staff told us they selected 10 files at each LPHA regardless of the actual number of establishments inspected by the LPHA. However, if significant problems are found with the sample of 10 files, they can increase the sample size. DHSS officials and regional staff also told us a sample size of 10 food service establishments represents a reasonable sample size. However, regional staff and officials could not explain why a sample size of 10 establishments has been used, and could not provide policy or other guidance requiring a sample size of 10 establishments.

A DHSS official told us personnel have considered revising sampling methodology to make it statistically valid, but the department lacks the resources to do so. Lack of personnel and funding are key issues facing the department, according to the official.

Regional staff not documenting
LPHAs reviewed, findings,
or corrective action

We also found six of seven regional staff did not document the names of the establishments selected for review. In addition, none of the regional staff documented problems found during reviews or any corrective action needed. According to regional staff, the department's monitoring tool does not require documentation of facilities reviewed, problems found, or corrective action.

Sound business practices dictate the department establish policies and procedures that require regional staff to document the establishments reviewed, findings, and corrective action to fully support monitoring

	<p>activity. An official agreed that establishing policies and procedures in this area would be helpful in ensuring fully documented LPHA reviews.</p>
Lack of consistency on handling LPHA problems	<p>As discussed on page 8, the department's core contract requires LPHAs to perform inspections with the frequency recommended by state guidelines. However, we found regional staff have not been consistent in handling problems concerning the frequency of inspections by LPHAs. For example:</p> <ul style="list-style-type: none"> • One regional staff person required LPHAs to submit written compliance plans outlining changes the LPHA will make to its food inspection program that will allow all inspections to be completed as required. • Another regional staff person discussed problems and assisted the local inspector in developing a corrective action work plan that would allow inspections to be completed as required. • Another regional staff person told us he did not do anything because the monitoring tool he used did not require further action. <p>Sound oversight practices dictate DHSS establish procedures that ensure regional findings are handled in a consistent manner. In addressing this issue, officials told us they would consider establishing policies and procedures that ensure consistent enforcement of contract requirements.</p>
Improvements needed in reviews of LPHA handling of consumer complaints	<p>We found little consistency among regional staff in their reviews of LPHAs' handling of consumer complaints. For example, some regional staff review the response and follow-up for appropriateness while others limit efforts to ensuring local agencies investigate complaints and reply to complainants. None of the regional staff contacted documented how the LPHAs handled complaints. Sound oversight practices dictate DHSS establish policies and procedures that will ensure consistency among regional staff in reviews of LPHA consumer complaint systems. A DHSS official told us the department would consider establishing policies and procedures that ensure consistent evaluation of consumer complaint systems.</p>
Reviews of regional findings and corrective action not documented	<p>Regional staff forward inspection tools to a DHSS official for review and approval. However, the department has not established policies and procedures for reviewing and approving regional reviews of LPHAs. Sound business practices dictate that officials establish policies and procedures to ensure officials conduct consistent and quality reviews of regional inspection results.</p> <p>According to an official, written policies and procedures have not been established for supervisory review of contract monitoring performed by regional staff. The official told us he reviews the monitoring tool and files it</p>

in his office. However, the official does not sign the inspection tool to document supervisory review and any decisions or conclusions are not documented, according to the official. In addition, when problems are found, the official meets with an official at the Section for Disease Control and Environmental Epidemiology, and an official with the Center for Local Public Health Services which has contract oversight over LPHAs, to review the tool and discuss potential enforcement procedures. However, the meetings and decisions made have not been documented, according to the official. Examples of enforcement activities include requiring the LPHA to submit a written plan outlining how the LPHA will become compliant, or possibly withholding core contract funds.

Improvements needed in training regional staff

As previously discussed, our review of contract monitoring reviews, conducted by regional staff at six locations, disclosed various weaknesses in the reviews of LPHAs. This situation has occurred, in part, because DHSS has not developed comprehensive policies that outline initial and ongoing training, and certification requirements for regional staff. For example, regional staff expectations state staff will successfully complete training as required within the calendar year. However, officials told us continuing professional education or training is not required. Instead, training is received on-the-job by shadowing another person and each regional staff person performs job duties and documents results differently, according to four regional staff. Sound business practices dictate DHSS establish a formal training program that ensures regional staff are adequately trained in how to perform consistent and well documented reviews of LPHAs.

A DHSS official told us the department is working with the U.S. Food and Drug Administration on a training program for personnel in the food inspection program. If implemented, the training program will establish continuing education and certification requirements. However, the official also stated the lack of funding and time to attend training may be impediments to implementing a formal training program.

Regions Not Adequately Monitoring Four Cities and Temporary Food Establishments

Regional staff have not adequately monitored local inspections of retail food establishments at four cities. Our review disclosed regional staff have not monitored the frequency and quality of inspections of 597 retail food service establishments² performed by municipal inspectors at Boonville, Fulton, Jefferson City, and Sedalia. DHSS officials told us the four cities have not been inspected because they have not been included in the department's core contract. This situation has occurred because these cities have inspectors of their own, and officials felt as though their limited resources could be better used elsewhere.

According to state law,³ DHSS has overall responsibility for monitoring all food service establishments, and therefore, its responsibilities include municipalities and counties that employ inspectors. The four cities will be included in the 2008 inspection evaluation conducted by the department, according to one official.

No state oversight of temporary food establishments

Regional staff have not monitored local inspections of temporary food establishments. Discussions with personnel at 114 LPHAs disclosed 105 LPHAs performed inspections of approximately 12,500 temporary food establishments in 2007.

In discussing this issue, an official told us oversight of temporary food establishments has not been included in core contracts since 2002 because of budget reductions, and because county and/or local agencies conduct those inspections.

DHSS Not Tracking Food Establishments

DHSS has relied on LPHAs to identify the number of retail food establishments to be inspected at the local level. In 2002 the department surveyed LPHAs and found there were approximately 28,000 food service establishments that the LPHAs had responsibility over. However, the department has not surveyed LPHAs since 2002. Sound business practices dictate that officials track the number of establishments to better analyze resources needed to oversee LPHAs in each region.

A DHSS official told us the department has been working on an automated tracking system since April 2007 that will allow personnel to track LPHA food service establishments and determine which establishments the LPHAs are behind in inspecting. However, because of budget issues, the official could not give us an estimated timeframe for completion of the tracking system. The department plans on implementing the tracking system in

² As of July 31, 2008.

³ Section 192.080, RSMo.

phases and conducting a pilot program within the next year according to the official.

Funding Reductions Impact Program

Funding reductions have adversely impacted the program, according to an official. For example, the 2002 reduction in department funding caused reductions in regional staffing. For fiscal year 2009, the department has a \$9 million budget for all core contract programs under the Division of Community and Public Health. Funding for LPHAs has been based on a formula that considers the population of a county, the number of persons below the poverty level, county tax efforts, and whether it is a multi-county LPHA, according to the official.

According to one official, the department has requested an increase of \$27 million in the fiscal year 2010 budget. The increase would provide the department a budget of about half of the amount surrounding states fund per capita for overall public health purposes, according to the official.

Conclusions

Improvements are needed in the department's oversight of the food inspection program. Officials did not conduct surveys of LPHAs from 1998 until 2008. DHSS guidance recommends that surveys of LPHAs be conducted every 3 years. By delaying the assessment of the quality of food inspections conducted by LPHA inspectors, DHSS may be placing the public at risk. Officials should ensure surveys are conducted every 3 years to minimize health risks to the public. Officials should also compare regional inspections of food service establishments to LPHA inspector findings to ensure local inspections are conducted properly.

Monitoring of LPHA contracts by regional staff has not been adequate or consistent. Regional staff did not always detect LPHA noncompliance with contract requirements regarding frequency of inspections, risk assessments, and complaint programs. The department also has not ensured adequate sampling of inspection files reviewed at LPHAs. The department reduced oversight functions, failed to establish policies and procedures that would ensure adequate and consistent reviews of LPHA contract activity, and has not established an adequate training program addressing initial training, continuing education, and certification requirements for regional staff.

Although state law requires the department to provide oversight for all food service establishments, officials have not provided oversight for approximately 600 retail food establishments in four cities. The department should provide this oversight to help ensure public health risks are minimized. In addition, DHSS has not provided oversight of approximately 12,500 temporary food establishments. Instead, it has relied on LPHAs which may, or may not, provide oversight. The department should work

closely with LPHAs to develop a means to ensure temporary food establishments are inspected.

The department should continue to work on developing a tracking system, which, if successfully developed and implemented, should provide the department a valid means of identifying food service establishments and help ensure the establishments are being inspected in accordance with guidance.

Recommendations

We recommend the Director of the Department of Health and Senior Services:

- 2.1 Ensure state-wide evaluations of LPHAs are conducted every 3 years, and ensure the results of regional food service establishment inspections are compared to LPHA findings.
- 2.2 Ensure LPHA contracts are adequately and consistently monitored by establishing policies and procedures and a training program for regional staff. Areas to be emphasized should include frequency of inspections, risk assessments, complaint programs and adequate sampling methodology.
- 2.3 Provide oversight of all food service establishments, including retail establishments currently inspected by cities and temporary food service establishments.
- 2.4 Continue efforts to develop a system to identify and track all food service establishments.

Agency Comments

- 2.1 *DHSS concurs with this recommendation. Results of the most recent regional food service establishment inspections are currently being compared to LPHA inspections. Statewide evaluations will be conducted every three years, provided resources are available to complete the evaluations.*
- 2.2 *DHSS concurs with this recommendation. Policies and procedures for monitoring the food safety components of the core functions contract are being drafted. Those efforts will be followed by development of a mandatory training program for regional staff.*
- 2.3 *DHSS concurs with this recommendation. Retail food establishments inspected by cities, as well as temporary food service establishments, will now be included in statewide evaluations conducted every three years.*

2.4 DHSS concurs with this recommendation. The department is working with the Office of Administration-Information Technology Services Division to develop a system that will identify and track all food services establishments. Select local public health agencies will assist DHSS by piloting the system.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of DeKalb County, Missouri

The Office of the State Auditor, in cooperation with DeKalb County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-93

DEKALB COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

THE COUNTY OF DEKALB, MISSOURI
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INTRODUCTORY SECTION

DEKALB COUNTY, MISSOURI
LIST OF ELECTED OFFICIALS

County Commission

Presiding Commissioner – David R. “Dick” Lippold

Associate Commissioner – Gary McFee

Associate Commissioner – Wayne Colhour

Other Elected Officials

Assessor – Ruth Ross

Circuit Clerk – Clifton DeShon

Collector/ Treasurer – Joan (Jody) Pearl

Coroner – John Bram

County Clerk – Mary Berry

Prosecuting Attorney – Bart Spear

Public Administrator – Larry Wolf

Sheriff – Wesley Raines

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and the County Officeholders of DeKalb County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of DeKalb, Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the primary government of DeKalb County, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of DeKalb Missouri's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the basic financial statements of the County of DeKalb, Missouri were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position — cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of DeKalb, Missouri, as of December 31, 2007 and 2006 and for the years then ended in conformity with the basis of accounting described in Note 1.

The County of DeKalb, Missouri, has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated May 14, 2008 on our consideration for the primary government of the County of DeKalb, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

The Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances — Cash Basis — Budget and Actual — General Fund and Major Special Revenue Funds and the Departmental Schedule of

Expenditures — Cash Basis — Budget and Actual — General Fund on pages 17 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of DeKalb, Missouri's basic financial statements. The accompanying Supplementary Information on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
May 14, 2008

FINANCIAL SECTION

DEKALB COUNTY, MISSOURI
 COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
 DECEMBER 31, 2006 AND 2007

	December 31,	
	<u>2006</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,133,351	1,100,179
Total Assets	<u>\$ 1,133,351</u>	<u>1,100,179</u>
 NET ASSETS		
Unrestricted	\$ 1,133,351	1,100,179
Total Net Assets	<u>\$ 1,133,351</u>	<u>1,100,179</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

	Disbursements	Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
		Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 615,788	118,486	153,644	(343,658)
Public works	1,787,114	9,690	1,074,177	(703,247)
Public safety	704,995	279,926	75,033	(350,036)
Health and welfare	35,697	776	-	(34,921)
Judicial	200,460	27,013	1,135	(172,312)
Total Governmental Activities	\$ 3,344,054	435,891	1,303,989	(1,604,174)
GENERAL RECEIPTS				
Taxes				
Property taxes				\$ 2,892
Sales taxes				1,311,248
Interest				73,612
Other				183,250
Total General Receipts				1,571,002
Changes in Cash Balances				(33,172)
NET ASSETS, JANUARY 1				1,133,351
NET ASSETS, DECEMBER 31				\$ 1,100,179

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

		Program Receipts		Excess Disbursements Over Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Intergovernmental	Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 658,231	92,388	307,214	(258,629)
Public safety	514,286	3,770	650,418	139,902
Judicial	220,183	264,248	88,446	132,511
Public works	1,599,799	807	-	(1,598,992)
Health and welfare	102,665	5,013	828	(96,824)
Total Governmental Activities	<u>\$ 3,095,164</u>	<u>366,226</u>	<u>1,046,906</u>	<u>(1,682,032)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes			\$ 39,775	
Sales taxes			1,273,227	
Interest			74,307	
Other			156,629	
Total General Receipts			<u>1,543,938</u>	
Changes in Cash Balances				(138,094)
NET ASSETS, JANUARY 1				1,271,445
NET ASSETS, DECEMBER 31			\$	<u><u>1,133,351</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
COMPARATIVE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - CASH BASIS
DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		CAPITAL IMPROVEMENT		OTHER GOVERNMENTAL		TOTAL	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
ASSETS										
Cash and cash equivalents	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179
Total Assets	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179
NET ASSETS										
Unrestricted	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179
Total Net Assets	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31,

	GENERAL		ROAD AND BRIDGE		CAPITAL IMPROVEMENT		OTHER GOVERNMENTAL		TOTAL	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
RECEIPTS										
Property taxes	\$ 39,705	2,822	-	-	-	-	70	70	39,775	2,892
Sales taxes	636,618	656,080	-	-	636,609	655,168	-	-	1,273,227	1,311,248
Intergovernmental	231,194	98,561	650,918	1,074,177	-	-	164,794	131,251	1,046,906	1,303,989
Charges for services	353,657	368,351	3,770	9,690	-	-	8,799	57,850	366,226	435,891
Interest	12,626	11,982	22,248	23,716	18,737	19,216	20,696	18,698	74,307	73,612
Other	100,951	145,804	17,941	26,995	-	165	37,737	10,286	156,629	183,250
Total Receipts	1,374,751	1,283,600	694,877	1,134,578	655,346	674,549	232,096	218,155	2,957,070	3,310,882
DISBURSEMENTS										
General government	490,205	399,968	-	-	-	-	168,026	215,820	658,231	615,788
Public safety	487,787	678,703	-	-	-	-	26,499	26,292	514,286	704,995
Judicial	215,305	200,460	-	-	-	-	4,878	-	220,183	200,460
Public works	84,680	57,984	864,905	948,313	650,214	780,817	-	-	1,599,799	1,787,114
Health and welfare	8,356	9,908	-	-	-	-	94,309	25,789	102,665	35,697
Total Disbursements	1,286,333	1,347,023	864,905	948,313	650,214	780,817	293,712	267,901	3,095,164	3,344,054
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES AND USES	88,418	(63,423)	(170,028)	186,265	5,132	(106,268)	(61,616)	(49,746)	(138,094)	(33,172)
OTHER FINANCING SOURCES (USES):										
Transfers in	12,852	73,147	40,000	-	-	-	40,000	83,202	92,852	156,349
Transfers out	80,000	81,202	-	56,079	-	-	12,852	19,068	92,852	156,349
Total Other Financing Sources	(67,148)	(8,055)	40,000	(56,079)	-	-	27,148	64,134	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,270	(71,478)	(130,028)	130,186	5,132	(106,268)	(34,468)	14,388	(138,094)	(33,172)
CASH, JANUARY 1	159,200	180,470	523,265	393,237	296,360	301,492	292,620	258,152	1,271,445	1,133,351
CASH, DECEMBER 31	\$ 180,470	108,992	393,237	523,423	301,492	195,224	258,152	272,540	1,133,351	1,100,179

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
 AGENCY FUNDS
 December 31,

	<u>2006</u>	<u>2007</u>
Cash and cash equivalents	\$ <u>1,655,152</u>	<u>5,414,769</u>
Total Assets	\$ <u><u>1,655,152</u></u>	<u><u>5,414,769</u></u>
Unrestricted	\$ <u>1,655,152</u>	<u>5,414,769</u>
Total Net Assets	\$ <u><u>1,655,152</u></u>	<u><u>5,414,769</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

THE COUNTY OF DEKALB, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of DeKalb, Missouri ("County"), which is governed by a three-member board of commissioners, was organized in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are nine elected Constitutional Officers: County Clerk, Circuit Clerk, Sheriff, Assessor, Coroner, Treasurer & ExOfficio Collector, Public Administrator, Coroner, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County. The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, and social services.

B. Basis of Presentation

Government-wide Financial Statements:

The statements of net assets and the statements of activities present financial information about DeKalb County. All County activities are governmental activities generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net assets presents the financial condition of the governmental activities of DeKalb County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. This comparison identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Direct expenses are those that are specifically associated with a particular function. *Program revenues* are (a) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings and other miscellaneous revenue not properly included among program revenues are presented instead as *general revenues*.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Road and Bridge and Capital Improvement Sales Tax are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds".

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The measurement focus is upon determination of and changes in financial position. The following are the County's governmental major funds:

General Fund — The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund — A special Revenue Fund is used to account for receipts of State distributions and Federal grants and related expenditures for road maintenance and improvement projects.

Capital Improvement Sales Tax Fund – A special Revenue Fund is used to account for receipts of County sales taxes and related expenditures for road maintenance.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting.

This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that purchases of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of short-term debt are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while all government-wide financials would be presented on the accrual basis of accounting.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
2. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received.

The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. State law requires that at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Section 50.740, RSMo prohibits expenditures in excess of approved budgets. However expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>
General Revenue Fund	2007
Capital Improvement Sales Tax Fund	2007
Law Emergency Planning Commission	2006
Cemetery Trust Fund	2007
Sheriff Civil Fees Fund	2007 and 2006
Collector's Tax Maintenance Fund	2007 and 2006

3. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection which usually takes place the third and fourth weeks of January.
4. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
5. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

6. Budgets are prepared and adopted on the cash basis of accounting

E. Property Taxes

County residents have approved a sales tax which substantially replaces the property tax as the principal source of general governmental revenues. During both 2007 and 2006 the County Commission approved a \$0.00 property tax levy per \$100 of assessed valuation of tangible taxable property. The levies were reduced to zero in accordance with the ballot issue passed by County voters under provision of Section 67.505 which requires reduction in property tax revenues by 50% of the sales tax revenues.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

H. Net Assets

Net assets represent the difference between assets and liabilities. Under the cash basis of accounting, liabilities other than loans from other funds and short-term borrowings are not recorded. Therefore, net assets generally equal the cash and investments balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Balance Sheet as Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$6,514,948 and \$2,788,503, respectively, and the bank balance was \$5,142,606 and \$2,828,768, respectively. Of the bank balance, \$316,077 and \$316,674 for December 31, 2007 and December 31, 2006, respectively, was covered by federal depository insurance and \$4,826,529 and \$2,512,094, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name. Accordingly, all County deposits are insured or collateralized with securities held by the County or by its agent in the County's name.

3. INTERFUND TRANSFERS

Funds were transferred out of the General Fund to help pay for Assessment Fund operations and activities of non-major funds for the years ended December 31, 2007 and 2006. Funds were transferred from Road & Bridge to help cover services received and paid from the General Fund. There were no loans between funds outstanding at December 31, 2007 or 2006.

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri in 1994 to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, excluding any county of the first classification having a charter form of government and any city not within a county. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks

and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 is paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for law enforcement personnel; for all other departments in the County the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 4% if they participate in the LAGERS and 6% of their annual salary if they do not participate. During 2007 and 2006, the County collected and remitted to CERF, contributions of approximately for \$62,458 and \$60,844, respectively, for the years then ended.

5. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Dekalb County also participates in the Missouri Local Government Employees Retirement System.

A. Plan Description

LAGERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments in Missouri. The LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. Created and governed by Sections 70.600 through 70.755, RSMo, the System is responsible for administering the system in accordance with state law. The plan is qualified under Internal Revenue Code 401(a) and is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the Missouri Local Government Employees Retirement System, P.O. Box 1655, Jefferson City, MO 65102.

B. Funding Policy

DeKalb County's full-time employees do not contribute to the pension plan. The County is required to contribute at an actuarial rate as determined by LAGERS. For 2007, the general

rate was 7.5 percent of annual covered payroll and the law enforcement rate was 4.6 percent. For 2006, the general rate was 7.4 percent and the law enforcement 4.6 percent.

C. Annual Pension Cost

For 2007 and 2006, the County contributed \$66,498 and \$48,966, respectively, to the plan which was equal to its annual pension cost. The required contributions were determined as part of the February 2005 and 2006 actuarial valuations using the entry age actuarial cost method.

Key actuarial assumptions included (a) an investment rate of return of 7.5% per year, compounded annually; (b) projected salary increases of 4% per year, compounded annually, attributable to inflation; and (c) additional projected salary increases ranging from 0 to 4.7% per year. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2007 was 16 years.

3-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/05	\$ 48,580	100	0
06/30/06	48,966	100	0
06/30/07	66,498	100	0

6. Defined Contribution and Deferred Compensation Plans

Plan Description

DeKalb County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements were established by and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Employees elect a contribution level, subject to IRC limitations. The CERS Board of Directors may provide limited matching contributions, with pension plan trust funds, to the defined contribution plan accounts. There were no matches in 2006 or 2007.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The County sends member contributions directly to the third-party administrator. Members may select from several options for investing their contributions and their share of matching contributions.

7. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. There is currently one employee on COBRA.

8. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 90 days of sick time -- to accrue at one and one quarter day per complete calendar month of employment up to 90 days. Upon termination, the employee is not compensated for sick time for whatever cause. Vacation leave is accumulated at a rate of one and one quarter days to one and three quarter days per month depending on the number of years of employment. Accumulated vacation leave cannot exceed 15 days, 20 days, or 25 days depending on the number of years of employment. These have not been subjected to auditing procedures.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

The County's expenditure of Federal Awards did not exceed \$500,000 in either 2006 or 2007 and, accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

C. Industrial Development Revenue Bonds

In June 2006, the County entered into an agreement to issue taxable Industrial Development Revenue Bonds as authorized by Article VI, Section 27 of the Missouri Constitution and Sections 100.010 to 100.200, MSMo. The proceeds of the bonds, which were issued in 2007 in the amount of approximately \$30 million, are to be used for the construction and furnishing costs related to an industrial development project in the City of Cameron. The bonds are payable solely from lease payments generated by the project, and the County is not liable for ultimate repayment of the bonds.

9. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce

sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

10. Cooperative Ventures

- A. In October 1992, the Counties of Andrew, Clinton, Caldwell and DeKalb and the City of Cameron agreed to establish a venture called ACCD-911, for the purpose of providing 911 emergency telephone services. Pursuant to Section 190.300, RSMo, the voters of the respective government entities involved approved a 15% Emergency Telephone System Tax on local telephone charges to fund the service. Pursuant to the agreement, the ACCD Regional Enhanced 911 System Board was created to be the governing body of the ACCD-911, authorized to enter into contracts, employ staff, hold/dispose of property, and incur debt, with only the ACCD-911 Venture being obligated for the debt incurred.
- B. In May 2005, the County, in conjunction with Daviess County, created the Daviess-DeKalb Regional Jail District to house prisoners for the counties as well as other governments on a contractual basis. A four member commission which governs the district is comprised of the presiding commissioners and sheriffs from the two counties. In November 2005, the district voters approved a one-half cent sales tax to provide regional jail services and court facilities and equipment for the two counties. Also in November 2005, the district assumed operations at the jail facility. The counties will share equally in any net operating losses of the regional jail. Neither Daviess County nor DeKalb County is obligated for debt incurred by the District.

REQUIRED SUPPLEMENTARY INFORMATION

DEKALB COUNTY, MISSOURI
SCHEDULE OF FUNDING PROGRESS FOR
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
(LAGERS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a) or (Excess of Assets over AAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c] or (Excess as a % of Covered Payroll) [(a-b)/c]
02/28/03	\$ 840,372	778,886	(61,486)	108%	\$ 637,121	(10) %
02/28/04	893,544	792,316	(101,228)	113%	606,002	(17) %
02/28/05	997,198	910,176	(87,022)	110%	636,769	(14) %
02/28/06	987,360	921,665	(65,695)	107%	750,335	(9)%
02/28/07	1,147,130	1,032,668	(114,462)	111%	870,721	(13)%

See related Note 5 (Defined Benefit Pension Plan) to the basic financial statements.

DEKALB COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
- BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

GENERAL FUND				
Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 56,350	39,705	9,000	2,822
Sales taxes	615,000	636,618	650,000	656,080
Intergovernmental	194,539	231,194	103,671	98,561
Charges for services	208,300	353,657	326,650	368,351
Interest	-	12,626	14,000	11,982
Other	126,069	100,951	145,658	145,804
Transfers in	70,000	12,852	45,947	73,147
Total Receipts	<u>1,270,258</u>	<u>1,387,603</u>	<u>1,294,926</u>	<u>1,356,747</u>
DISBURSEMENTS				
County Commission	80,040	79,345	81,140	79,860
County Clerk	79,060	73,478	81,017	71,683
Elections	175,949	145,931	19,597	17,938
Buildings and grounds	62,580	61,223	92,580	79,918
Employee fringe benefits	169,000	150,201	214,000	199,214
County Treasurer	62,310	62,070	67,540	76,592
Collector	10,000	7,282	10,000	13,427
Circuit Clerk	48,795	46,828	49,344	50,717
Associate Circuit Court	14,030	13,794	22,558	18,902
Public Administrator	15,700	15,430	16,000	15,555
Sheriff	443,603	438,865	408,768	511,061
Prosecuting Attorney	88,270	96,881	89,013	96,423
Juvenile Officer	15,276	7,657	15,072	10,362
Coroner	19,942	14,618	20,004	15,731
Other	73,115	44,374	79,315	81,732
Health and welfare	8,400	28,356	8,400	7,908
Transfers out	20,000	80,000	80,000	81,202
Emergency fund	38,250	-	40,195	-
Total Disbursements	<u>1,424,320</u>	<u>1,366,333</u>	<u>1,394,543</u>	<u>1,428,225</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(154,062)	21,270	(99,617)	(71,478)
CASH, JANUARY 1	<u>159,200</u>	<u>159,200</u>	<u>180,470</u>	<u>180,470</u>
CASH, DECEMBER 31	<u>\$ 5,138</u>	<u>180,470</u>	<u>80,853</u>	<u>108,992</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

ROAD AND BRIDGE FUND				
Year Ended December 31,				
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	1,052,000	650,918	1,344,000	1,074,177
Charges for services	-	3,770	10,900	9,690
Interest	-	22,248	20,000	23,716
Other	-	17,941	20,000	26,995
Transfers in	-	40,000	-	-
Total Receipts	1,052,000	734,877	1,394,900	1,134,578
DISBURSEMENTS				
Salaries	180,000	134,933	145,000	140,845
Employee fringe benefits	42,000	30,540	40,000	50,594
Materials and Supplies	256,000	261,646	285,500	270,370
Services and Other	39,000	18,820	86,000	30,071
Capital Outlay	56,000	49,651	11,500	1,719
Construction	1,013,000	369,315	1,113,000	454,714
Transfers out	47,145	-	55,995	56,079
Total Disbursements	1,633,145	864,905	1,736,995	1,004,392
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(581,145)	(130,028)	(342,095)	130,186
CASH, JANUARY 1	523,265	523,265	393,237	393,237
CASH, DECEMBER 31	\$ (57,880)	393,237	51,142	523,423

The accompanying Notes to the Financial Statements are an integral part of these statements.

DEKALB COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

CAPITAL IMPROVEMENT SALES TAX FUND				
Year Ended December 31,				
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	636,609	650,000	655,168
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	18,737	17,000	19,216
Other	-	-	-	165
Transfers in	-	-	-	-
Total Receipts	-	655,346	667,000	674,549
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	650,000	645,993	750,000	773,433
Services and Other	5,000	4,221	6,000	882
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	6,550	-	7,560	6,502
Total Disbursements	661,550	650,214	763,560	780,817
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(661,550)	5,132	(96,560)	(106,268)
CASH, JANUARY 1	296,360	296,360	301,492	301,492
CASH, DECEMBER 31	\$ (365,190)	301,492	204,932	195,224

The accompanying Notes to the Financial Statements are an integral part of these statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and the Officeholders of DeKalb County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of DeKalb, Missouri, as of and for the years ended December 31, 2007 and 2006 and have issued our cash basis report thereon dated May 14, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered DeKalb County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DeKalb County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DeKalb County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the DeKalb County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the DeKalb County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the DeKalb County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 and 2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the DeKalb County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and that is identified as item 3.

DeKalb County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit DeKalb County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
May 14, 2008

DEKALB COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Transfer Transactions

Condition: Transfers-in or transfers-out from one fund to another are not always properly recorded in the respective funds. Amounts recorded as transfers-in for 2007 and 2006 exceeded amounts recorded as transfers-out by \$79,943 and \$32,852, respectively. The differences resulted from the recording of transfers as expenditures in the outgoing fund rather than as transfers. The effect is to overstate actual expenditures.

Recommendation: We recommend the County Clerk record transfers-out as transfers-out rather than to expenditure categories.

County's Response: DeKalb County will record transfers-out and transfers-in as transfers not expenditures.

2. Inadequate Controls over County Purchases and Payments

Condition: During our review of the purchasing and payments functions, we noted certain internal control weaknesses that could allow erroneous payments or improper purchases to occur and remain undetected. These control deficiencies include:

- The process for payment of goods does not include noting "Paid" on actual invoices. At times the payment voucher is noted as paid and attached to the actual invoice, however, even with this procedure an invoice could be separated from the voucher and accidentally or intentionally presented for payment more than once.
- The County does not have a control to ensure that checks presented for signature are representative of the invoices and vouchers previously approved.

Recommendation: We recommend the County implement a purchasing process that is documented, communicated to all those involved in purchasing, and includes the following internal controls.

- All invoices are to be noted as "Paid" at the time they are approved. We suggest that a County Commissioner stamp the invoice paid at the time it is reviewed and approved.
- All bills of lading, receiving reports or invoices are to be signed by the receiver of the item purchased.

County Response: DeKalb County Commissioners sign the bill head with the statement attached. The checks are then printed and signed by the commissioner, county clerk and treasurer. Once the checks are signed each bill head with the statement attached is stamped filed or paid. We feel this meets your recommendations.

Auditor's Comment: To ensure that an approved invoice exists for every check that is signed both documents must be viewed together by an authorized approver.

ITEMS OF NONCOMPLIANCE

3. Budget Process

Condition: Disbursements exceeded budgeted amounts for six funds during the year ended December 31, 2006 and five funds during the year ended December 31, 2007. Although budgets were apparently monitored on a regular basis, the County Commission did not ensure that budget amendments are periodically prepared in accordance with State Statute.

Strict compliance with County budget law is required by County officials. Such compliance helps ensure that County funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved.

Recommendation: We recommend the County Commission ensure that budget variances are reviewed and require budget amendments when appropriate.

County's Response: DeKalb County will review any budget revisions and submit them to the auditors office.

OTHER MATTERS

None

THE COUNTY OF DEKALB, MISSOURI
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

A. FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported under GAGAS.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. The County does not have procedures in place to adequately track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), resulting in errors and omissions.

Status – The County did not expend \$500,000 of Federal funds in either 2006 or 2007 and was therefore not required to undergo a Single Audit in accordance with Office of Management and Budget Circular A-133. However, the County prepared a SEFA each year and, in 2007, the SEFA was not supported by the central accounting records maintained by the County Clerk. The County Clerk augmented the reported expenditures of Federal awards based on supplemental information provided by the Road & Bridge supervisor.

2. Competitive bids and/or qualifications for professional services were not solicited for some purchases funded by the 911 Board Homeland Security Grant, and the ACCD 911 Board did not ensure vendors providing services under the grant had not been debarred or suspended by the Federal government.

Status – No violations of competitive bid requirements or award of contracts or procurements to debarred or suspended vendors were noted in the current audit.

C. OTHER MATTERS

3. The County did not sufficiently reduce its property tax levy by 50% of the sales tax revenues as required by the voter-approved ballot authorizing the tax.

Status – The property tax levy in 2006 and 2007 was zero.

4. The County did not have adequate procedures regarding the procurement of major purchases, particularly with respect to documentation of bids, lack of controls to prevent duplicate payments, and proper charging of expenditures.

Status – It was noted during the current audit that invoices were not always stamped paid and that checks were signed subsequent to review of invoices and without the accompanying invoices or vouchers attached. See current year Finding 2.

5. The current and former Ex Officio County Collector (EOC) did not prepare accurate and timely annual settlements and did not reconcile bank account balances to existing liabilities.

Status – No similar errors or delinquencies were identified during the current audit.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of McDonald County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-92

MCDONALD COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

MCDONALD COUNTY, MISSOURI

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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Larry Jones

Associate Commissioner – Gayle Brock

Associate Commissioner – Sam Gaskill

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk -- Gene Hall

Recorder – Kenny Underwood

Collector – Brenda Gordon

Coroner – Gale Duncan

County Clerk – Barbara Williams

Prosecuting Attorney – Janice Durbin

Public Administrator – Donna Underwood

Sheriff – Don Schlessman

Treasurer – Joye Helm

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission
and

Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, McDonald County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McDonald County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of McDonald County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 25, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

(Original signed by Auditor)

McBride, Lock & Associates
July 25, 2008

FINANCIAL SECTION

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 450,897	1,543,716	1,556,236	438,377	1,683,184	1,574,284	547,277
Special Road and Bridge	320,327	2,101,701	1,846,431	575,597	2,363,047	2,848,150	90,494
Assessment	3,710	264,430	263,437	4,703	318,327	322,657	373
Law Enforcement Sales Tax	20,748	1,701,378	1,688,419	33,707	1,827,538	1,859,647	1,598
Law Enforcement Training	4,788	6,145	10,137	796	10,733	11,153	376
Prosecuting Attorney Training	767	1,051	421	1,397	1,178	833	1,742
Recorder's	26,451	11,184	15,059	22,576	11,639	15,158	19,057
Sheriff's Civil Fees	2,989	19,687	20,547	2,129	22,358	23,703	784
Senate Bill 665	6,373	713	1,829	5,257	3,613	8,304	566
Extradition and Transportation	1,357	33,893	23,499	11,751	31,809	29,847	13,713
Election Service	3,036	111,055	105,949	8,142	377	4,474	4,045
Lafayette House	768	1,790	-	2,558	2,167	4,725	-
Collector's Tax Maintenance	23,007	21,690	900	43,797	26,476	12,238	58,035
Concealed Weapon	3,476	3,038	1,615	4,899	6,260	2,265	8,894
Election Service Interest Bearing	14,597	101,758	105,949	10,406	7,370	7,686	10,090
P.A. Bad Check Fund	10,741	46,917	27,078	30,580	39,225	46,786	23,019
Homeland Security	(2,879)	2,879	-	-	-	-	-
Total	\$ 891,153	5,973,025	5,667,506	1,196,672	6,355,301	6,771,910	780,063

The accompanying Notes to the Financial Statements are an integral part of this statement.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	GENERAL FUND			
	Year Ended December 31,			
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes - subclass 3	\$ 2,382	1,582	2,382	1,582
Sales taxes	1,200,000	1,131,220	1,200,000	1,251,791
Intergovernmental	63,720	99,812	118,450	111,428
Charges for services	280,000	281,445	320,500	273,370
Interest	12,000	24,484	22,000	30,924
Other	5,000	5,173	3,000	4,274
Transfers in	-	-	-	9,815
Total Receipts	<u>1,563,102</u>	<u>1,543,716</u>	<u>1,666,332</u>	<u>1,683,184</u>
DISBURSEMENTS				
County Commission	91,670	87,980	95,370	95,020
County Clerk	111,336	112,233	118,135	108,375
Elections	121,675	92,931	96,933	71,020
Buildings and grounds	129,935	104,161	133,483	131,700
Employee fringe benefits	74,500	68,956	71,800	66,459
County Treasurer	32,310	31,767	44,800	46,490
Collector	121,556	113,703	120,795	117,334
Recorder of Deeds	80,325	76,787	90,775	89,311
Public Administrator	70,400	70,493	75,400	77,181
Other	411,957	253,515	558,364	268,099
Debt Services	42,400	42,400	40,000	42,400
Health and welfare	-	15,031	-	9,895
Transfers out	520,036	486,279	502,000	451,000
Emergency fund	57,062	-	45,450	-
Total Disbursements	<u>1,865,162</u>	<u>1,556,236</u>	<u>1,993,305</u>	<u>1,574,284</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(302,060)	(12,520)	(326,973)	108,900
CASH, JANUARY 1	-	450,897	-	438,377
CASH, DECEMBER 31	<u>\$ (302,060)</u>	<u>438,377</u>	<u>(326,973)</u>	<u>547,277</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 8,000	-	-	-	-	-	-	-
Sales taxes	1,200,000	1,131,011	1,200,000	1,251,877	-	-	-	-
Intergovernmental	796,900	832,880	1,456,000	1,088,057	168,000	187,443	188,210	176,692
Charges for services	-	-	-	-	5,000	-	-	-
Interest	5,000	-	-	22,504	150	434	450	649
Other	-	137,810	-	609	600	6,553	6,500	4,986
Transfers in	126,036	-	-	-	94,000	70,000	122,000	136,000
Total Receipts	2,135,936	2,101,701	2,656,000	2,363,047	267,750	264,430	317,160	318,327
DISBURSEMENTS								
Salaries	596,264	592,415	642,000	699,473	149,033	177,295	182,195	182,617
Employee fringe benefits	141,829	135,922	145,600	133,796	13,300	12,326	13,000	12,585
Materials and Supplies	1,243,000	791,458	1,343,000	1,464,915	19,000	9,509	31,000	15,812
Services and Other	334,200	269,961	311,009	344,345	88,935	64,307	93,910	111,643
Capital Outlay	125,000	56,675	96,500	189,538	-	-	-	-
Construction	-	-	625,000	16,083	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,440,293	1,846,431	3,163,109	2,848,150	270,268	263,437	320,105	322,657
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(304,357)	255,270	(507,109)	(485,103)	(2,518)	993	(2,945)	(4,330)
CASH, JANUARY 1	-	320,327	-	575,597	-	3,710	-	4,703
CASH, DECEMBER 31	\$ (304,357)	575,597	(507,109)	90,494	(2,518)	4,703	(2,945)	373

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	1,200,000	1,135,850	1,200,000	1,255,458	-	-	-	-
Intergovernmental	167,600	310,258	258,382	175,306	-	6,135	5,000	6,628
Charges for services	70,000	80,907	84,000	91,881	-	-	-	-
Interest	-	153	200	513	-	-	-	-
Other	55,000	44,210	15,000	102,629	8,600	10	-	105
Transfers in	179,000	130,000	222,000	201,751	-	-	-	4,000
Total Receipts	1,671,600	1,701,378	1,779,582	1,827,538	8,600	6,145	5,000	10,733
DISBURSEMENTS								
Salaries	1,012,204	1,086,670	1,100,843	1,106,705	-	-	-	-
Employee fringe benefits	166,000	172,106	189,875	189,185	-	-	-	-
Materials and Supplies	48,300	23,944	59,975	41,570	-	-	-	-
Services and Other	441,006	405,699	449,178	522,187	10,000	10,137	5,000	11,153
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,667,510	1,688,419	1,799,871	1,859,647	10,000	10,137	5,000	11,153
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,090	12,959	(20,289)	(32,109)	(1,400)	(3,992)	-	(420)
CASH, JANUARY 1	-	20,748	-	33,707	-	4,788	-	796
CASH, DECEMBER 31	\$ 4,090	33,707	(20,289)	1,598	(1,400)	796	-	376

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	400	-	-	-	-	-
Charges for services	-	1,051	800	1,178	29,500	10,042	10,000	10,406
Interest	-	-	-	-	-	1,142	-	1,233
Other	1,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,000	1,051	1,200	1,178	29,500	11,184	10,000	11,639
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	500	75	500	284	24,500	15,059	-	-
Services and Other	800	346	900	549	-	-	20,000	15,158
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,300	421	1,400	833	24,500	15,059	20,000	15,158
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(300)	630	(200)	345	5,000	(3,875)	(10,000)	(3,519)
CASH, JANUARY 1	-	767	-	1,397	-	26,451	-	22,576
CASH, DECEMBER 31	\$ (300)	1,397	(200)	1,742	5,000	22,576	(10,000)	19,057

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHERIFF'S CIVIL FUND				SB 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	19,587	26,500	21,865	-	713	6,000	3,359
Interest	-	-	-	-	-	-	-	-
Other	-	100	-	493	4,000	-	-	254
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	19,687	26,500	22,358	4,000	713	6,000	3,613
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	25,000	20,547	20,000	23,703	1,500	1,069	1,500	914
Services and Other	-	-	6,154	-	1,300	760	4,400	7,390
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	25,000	20,547	26,154	23,703	2,800	1,829	5,900	8,304
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(25,000)	(860)	346	(1,345)	1,200	(1,116)	100	(4,691)
CASH, JANUARY 1	-	2,989	-	2,129	-	6,373	-	5,257
CASH, DECEMBER 31	\$ (25,000)	2,129	346	784	1,200	5,257	100	566

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	33,893	30,000	31,809	-	109,997	1,000	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	1,058	-	377
Other	15,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	15,000	33,893	30,000	31,809	-	111,055	1,000	377
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	108,000	105,949	9,000	2,492
Services and Other	15,000	23,499	15,000	13,096	-	-	-	1,982
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	16,751	-	-	-	-
Total Disbursements	15,000	23,499	15,000	29,847	108,000	105,949	9,000	4,474
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	10,394	15,000	1,962	(108,000)	5,106	(8,000)	(4,097)
CASH, JANUARY 1	-	1,357	-	11,751	-	3,036	-	8,142
CASH, DECEMBER 31	\$ -	11,751	15,000	13,713	(108,000)	8,142	(8,000)	4,045

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAFAYETTE HOUSE FUND				COLLECTOR'S TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	1,790	-	-	-	21,690	20,740	26,476
Charges for services	-	-	-	2,167	-	-	-	-
Interest	-	-	-	-	600	-	-	-
Other	3,000	-	-	-	19,000	-	2,058	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	3,000	1,790	-	2,167	19,600	21,690	22,798	26,476
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	6,000	273
Services and Other	3,000	-	-	4,725	16,205	900	900	11,965
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	3,000	-	-	4,725	16,205	900	6,900	12,238
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1,790	-	(2,558)	3,395	20,790	15,898	14,238
CASH, JANUARY 1	-	768	-	2,558	-	23,007	-	43,797
CASH, DECEMBER 31	\$ -	2,558	-	-	3,395	43,797	15,898	58,035

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

CONCEALED WEAPONS FUND				
Year Ended December 31,				
2006		2007		
Budget	Actual	Budget	Actual	
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	3,038	-	6,260
Charges for services	700	-	9,885	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	700	3,038	9,885	6,260
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	1,300	1,615	2,000	1,795
Services and Other	-	-	1,000	470
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	1,300	1,615	3,000	2,265
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(600)	1,423	6,885	3,995
CASH, JANUARY 1	-	3,476	-	4,899
CASH, DECEMBER 31	\$ (600)	4,899	6,885	8,894

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION SERVICE INTEREST BEARING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	6,993	-	-	-	-
Charges for services	-	-	-	-	30,000	45,567	35,000	37,381
Interest	-	101,758	-	-	400	1,260	500	1,844
Other	-	-	-	-	-	90	-	-
Transfers in	-	-	-	377	-	-	-	-
Total Receipts	-	101,758	-	7,370	30,400	46,917	35,500	39,225
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	2,492	-	-	-	-
Services and Other	-	14,237	10,000	5,194	27,300	27,078	46,900	46,786
Capital Outlay	-	91,712	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	105,949	10,000	7,686	27,300	27,078	46,900	46,786
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(4,191)	(10,000)	(316)	3,100	19,839	(11,400)	(7,561)
CASH, JANUARY 1	-	14,597	-	10,406	-	10,741	-	30,580
CASH, DECEMBER 31	\$ -	10,406	(10,000)	10,090	3,100	30,580	(11,400)	23,019

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

HOMELAND SECURITY FUND				
Year Ended December 31,				
2006		2007		
Budget	Actual	Budget	Actual	
RECEIPTS				
Property Taxes	\$ -	-	-	-
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	2,879	2,636	-	-
Transfers in	-	243	-	-
Total Receipts	2,879	2,879	-	-
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	-	-	-	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	2,879	2,879	-	-
CASH, JANUARY 1	-	(2,879)	-	-
CASH, DECEMBER 31	\$ 2,879	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
County Employees' Retirement Fund	\$ 5	5	8,920	8,920
Criminal Costs	6	6	-	-
Schools	3,830	3,830	4,359	4,359
All Sales Tax	-	-	-	-
Fines	63,539	63,539	24,491	24,491
Overplus Tax Sales	36,338	36,338	13,811	13,811
Unclaimed Fees	8,936	8,936	4,396	4,396
Checking	1,205	1,205	-	-
Collector	12,835,112	12,835,112	6,278,412	6,278,412
Total	\$ 12,948,971	12,948,971	6,334,389	6,334,389

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McDonald County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services

The financial statements referred to above include only the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
 - a. Election Services Interest Bearing
 - b. Lafayette House
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgetary authority. Actual expenditures exceeded budgeted amounts for the following funds.
 - a. Assessment
 - b. Law Enforcement Sales Tax
 - c. Law Enforcement Training
 - d. Senate Bill 665
 - e. Extradition and Transportation
 - f. Lafayette House
 - g. Collector's Tax Maintenance
 - h. Concealed Weapon
 - i. Election Service Interest Bearing
11. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 129,490,360	121,490,360
Personal Property	239,411,421	74,983,214
Railroad and Utilities	17,207,166	16,325,508

During 2007 and 2006 the County did not have a tax levy used specifically for the purpose of County taxation.

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the

United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$13,729,034 and \$7,531,061 the bank balance was \$12,396,886 and \$5,791,681, respectively. Of the bank balance \$230,871 and \$215,469 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$12,166,015 and \$5,576,212, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement

System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$199,208 and \$97,187, respectively, for the years then ended, equal to the required contributions.

4. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County is indebted to contribute \$2,244 and \$2,244, respectively, for the years ended December 31, 2007 and 2006.

5. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

6. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 60 days of sick time -- to accrue at $\frac{3}{4}$ of a day per complete calendar month of employment for the first 5 years of service up to 30 days, 1 day per month for 5 to 10 years service up to 30 days, 1.25 per month up to 60 days for employees with over 10 years service. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full time employee, and accrues at the same rate schedule as sick time, Vacation time is capped at 10 days for employees with 1-5 years of continuous service and 15 days for employees with more than 10 years of service. Any unused accrued vacation time is paid to the employee upon termination.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditure of federal awards did not exceed \$500,000 in either 2006 or 2007 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

8. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

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AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 25, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered McDonald County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McDonald County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McDonald County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the McDonald County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the McDonald County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the McDonald County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the McDonald County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described as item 1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* that is identified as item 9.

McDonald County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit McDonald County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates

July 25, 2008

MCDONALD COUNTY, MISSOURI
Findings and Recommendations

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Verification of Treasurer's Settlement

Condition: One of the duties mandated of the County Clerk is to balance with the Treasurer on a monthly basis. We noted that the balancing process in place does not include the Clerk viewing the Treasurer's bank statement. Instead, the Clerk uses receipt and check copies, both of which are provided by the Treasurer, to balance to the Treasurer's records. The Clerk has no way of determining whether all receipts and checks were provided because the Clerk does not actually see the bank statement. Therefore, if the Treasurer failed to write a receipt or wrote a receipt in the wrong amount from another receipt book not given to the Clerk, or if the Treasurer wrote an improper check with a later check number sequence, the Clerk's review would not detect the irregularity.

Recommendation: We recommend the County Clerk agree the receipt copies and check copies directly to the Treasurer's bank statement, and maintain a balance which can be agreed to the Treasurer's reconciled bank statement. These procedures will require minimal additional time and will provide an effective balancing between the Treasurer and Clerk.

County's Response: Recommendations will be implemented.

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

2. Lack of Controls Over Signature Stamps for Check Authorization

Condition: We were advised the County has a signature stamp for each elected official who is required to sign a check approved by the Commission for a disbursement (Presiding Commissioner, Treasurer, County Clerk). At times a single individual can have access to all three stamps. In addition it was noted that several checks cleared the bank with only two signatures and one check cleared with no signatures. Furthermore, the Treasurer maintains another series of checks on the same account for which she is the only authorized signer and she also has access to the blank check stock.

Recommendation: We recommend the signature stamps not be in the possession of one person at any time. We suggest the county implement a procedure which ensures that checks have been signed by all three elected officials before distribution. We also suggest a person other than the Treasurer secure the blank check stock requiring only the Treasurer's signature. Further, it is our understanding from banking officials that the signatures authorized on a signature card are applicable to all checks on the related bank account. Therefore, the County should consider establishing a separate bank account for the Treasurer's use in distributing funds to taxing districts.

County's Response: Checks are kept in the vault in the County Clerks office. A lockbox will be purchased and used for the signature stamps.

3. Investments Records

Condition: The Treasurer unable to identify and verify which Certificates of Deposit were owned, renewed or cashed in during the audit period of calendar years 2006 and 2007.

Recommendation: We recommend the Treasurer maintain a ledger of all investments and income thereon. The ledger should be supported with the underlying documentation pertaining to the security.

County's Response: The Treasurer is of the understanding that the records were available but not in the form recommended and will follow the recommendations made.

4. Transfers Between Funds

Condition: Our review of transfers between funds revealed that the amounts do not always balance. A transfer may occur because one fund is subsidized by another fund, or because the County wishes to accumulate monies for a future project. It is essential that amounts reported and budgeted as "Transfers Out" be offset by a corresponding amount reported as "Transfers In". Balancing of these transactions allows for monitoring of budgetary authorization and fair presentation of fund activity.

Recommendation: We recommend that transfers be monitored and reconciled monthly to provide assurance that all transfers balance and are properly approved.

County's Response: Recommendations will be followed with monthly monitoring.

5. Documentation in Personnel Files

Condition: Personnel files should contain W-4, payroll authorization, salary figures, job titles, and employment forms. Out of the four employees we tested, all four employees did not have documentation authorizing their current authorized salary. Furthermore, two employees did not have job titles listed in their personnel files. This documentation provides a reference for any questions or concerns that may arise. The County Clerk is responsible for placing current payroll authorization forms in the personnel file.

Recommendation: We recommend that the County Clerk's Office properly place the payroll authorization forms in the personnel file in order to provide assurance for accurate salaries for each employee. We further recommend that all employees have job titles placed in the personnel files. This helps the employee know what is expected of them from their employer and helps the employer evaluate the employee.

County's Response: We are following recommendations.

6. Timesheet Authorization

Condition: Timesheets should be properly authorized by having both the employee sign the timesheet and the supervisor sign the timesheet. This procedure decreases the chance of error on the timesheet, such as too many hours logged or misuse of vacation and sick

pay. Of the four employees tested, there was one employee whose timesheets were not all properly signed by the employee and the supervisor.

Recommendation: The timesheets should be properly authorized by both the employee and the supervisor in order to decrease the likelihood of error or irregularity occurring and remaining undetected, and to document responsibility for the monitoring of labor hours.

County's Response: The office that had this problem has been notified and will follow recommendations.

7. Collector Reconciliations

Condition: The Collector prepares a reconciliation each month that consists of comparing collections to disbursements assuring they balance to zero, however this process does not include verifying these totals with the actual bank statement. In addition the Collector sometimes receives funds from the Prosecuting Attorney's office which represent fees associated with the collection of bad checks. These funds are not included in the reconciliation process. While the dollar amount of these funds is small, they are not recorded and deposited. They are kept unsecure and used as a petty cash fund for the Collector's office.

Recommendation: We recommend the Collector's reconciliation process include comparing collections and disbursements to deposits and cleared checks noted on actual bank statements. We understand that the first \$100 of bad check charges is to be used to fund a second cash drawer in the Collector's Office. We recommend that amounts in excess of \$100 and all fees turned over by the Prosecuting Attorney's office in the future be deposited and recorded, and included in the monthly reconciliation, in a manner similar to that used for recording monies from duplicate tax receipt charges.

County's Response: The Collector will balance to the bank statement in the future. Bad check fees over \$100 will be deposited and recorded as recommended.

8. Prosecuting Attorney's Bad Check Fund Reconciliation

Condition: There is not a reconciliation process for funds held within the Prosecuting Attorney's Bad Check Fund bank account. Thus errors, whether inadvertent, intentional or bank-initiated, could occur and remain undetected.

Recommendation: We recommend the Prosecuting Attorney's Bad Check Fund bank account be reconciled and the reconciliation be performed or reviewed in detail by someone who does not have check signing authority.

County's Response: Recommendation has been implemented.

ITEMS OF NONCOMPLIANCE

9. Budgetary Practices

Condition: Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2007	2006
Assessment	\$ 2,551	N/A
Law Enforcement Sales Tax	59,776	20,909
Law Enforcement Training	6,153	137
SB 665	2,404	N/A
Extradition and Transportation	14,846	8,499
Lafayette House	2,167	N/A
Collector's Tax Maintenance	5,388	N/A
Concealed Weapons	N/A	315
Election Service Interest Bearing	N/A	105,949

In addition, two funds (Homeland Security and Election Services Interest) had activity that was not properly reported in the appropriate budget. Furthermore, there were inconsistencies and omissions in actual amounts as stated in the financial statements from one year to the next in several funds, including the 911 Fund, Prosecuting Attorney's Bad Check Fund, Election Services Fund, Election Services Interest Fund and Lafayette Fund.

Strict compliance with county budget law is required by county officials. Such compliance helps ensure that county funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved. The County Commissioners indicated that budget to actual reports are monitored and reviewed.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: The County Commission will amend the budget as recommended when needed.

MCDONALD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, (County) on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

Condition: The County did not prepare budgets for various county funds. The County's published financial statements did not include the financial activity of several County funds.

Current Status: Certain deficiencies in the budget process existed in 2006 and 2007. See finding No. 9.

Condition: Time sheets or other records of actual time worked and leave records of the Sheriff's Office employees are not filed with the County Clerk. An employee of the Sheriff's department was supervised by her spouse.

Current Status: Certain deficiencies in the payroll process existed in 2006 and 2007. See finding No. 6.

Condition: The County Treasurer does not prepare formal bank reconciliations. The County Treasurer does not properly reconcile her records with the County Clerk and the County Commission does not review the Treasurer's semi-annual settlements. County records are not always maintained at the county courthouse.

Current Status: Deficiencies in the Treasurer and County Clerk's reconciliation process existed in 2006 and 2007. See finding No. 1.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Knox County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Knox County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-91

THE COUNTY OF KNOX, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

THE COUNTY OF KNOX, MISSOURI
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INTRODUCTORY SECTION

List of Elected Officials

County Commission

Presiding Commissioner - L.P. (Pete) Mayfield

Eastern District Commissioner - Michael McGinnis

Western District Commissioner - Terry Marble

Other Elected Officials

Assessor - Vance Parrish

Associate Division Judge – William Alberty

Circuit Clerk – James R. Gibbons

Collector – Brent Karhoff

Coroner – Jeff Doss

County Clerk – Debbie McCurren

Prosecuting Attorney – David Brown

Public Administrator – Kathy Poore

Recorder – Sandy Woods

Sheriff – Mike Kite

Treasurer – Allen Gudehus

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Knox County, Missouri

We have audited the accompanying financial statements of Knox County, Missouri as of and for the years ended December 31, 2007 and 2006, as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The County has not established adequate internal controls over the budgeting and purchasing/cash disbursements processes to ensure that disbursements of County funds are for authorized purposes or that all such disbursements are recorded in the financial statements. The effects on the financial statements of these internal control deficiencies is not reasonably determinable.

As described more fully in Note 1, Knox County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Knox County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, except for the effects of the matter discussed in the third preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Knox County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 25, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Original signed by Auditor)

McBride, Lock & Associates
July 25, 2008

KNOX COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 202,342	679,366	698,421	183,287	673,594	718,298	138,583
Special Road and Bridge	209,949	1,295,683	1,478,149	27,483	1,343,887	1,053,160	318,210
Assessment	4,484	100,826	92,876	12,434	114,967	102,870	24,531
Law Enforcement	5,310	245,480	245,285	5,505	277,537	269,009	14,033
Local Emergency Planning Comm.	13,983	4,110	16,390	1,703	3,638	5,319	22
Children's Trust	2,994	1,140	-	4,134	1,063	-	5,197
Election	756	8,926	8,801	881	22,024	10,403	12,502
Crime	2,240	3,381	2,409	3,212	4,249	2,781	4,680
Prosecuting Attorney Training	202	243	-	445	182	-	627
Help America Vote Act	14,862	779	3,363	12,278	65,512	77,788	2
Sever Lake	15,713	4,054	9,610	10,157	23,249	13,285	20,121
Law Enforcement Training	1,632	1,526	1,086	2,072	1,198	1,792	1,478
Sheriff's Fees	7,960	7,398	2,831	12,527	6,627	9,729	9,425
Technology	1,580	1,220	2,000	800	1,178	-	1,978
Users Fees	2,523	2,025	4,130	418	1,965	1,332	1,051
Collector's Maintenance	2,458	4,187	1,733	4,912	5,584	2,780	7,716
Economic Development	103,824	4,957	-	108,781	5,879	-	114,660
Total	\$ 592,812	2,365,301	2,567,084	391,029	2,552,333	2,268,546	674,816

The accompanying Notes to the Financial Statements are an integral part of this statement.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 150,567	151,962	173,300	174,598
Sales taxes	270,000	254,427	265,000	263,756
Intergovernmental	10,000	10,778	61,000	9,700
Charges for services	84,570	89,470	96,010	143,975
Interest	5,000	15,042	12,000	12,164
Other	14,170	58,993	11,835	24,785
Transfers in	98,518	98,694	75,430	44,616
Total Receipts	<u>632,825</u>	<u>679,366</u>	<u>694,575</u>	<u>673,594</u>
DISBURSEMENTS				
County Commission	76,403	78,608	77,425	75,204
County Clerk	56,993	56,697	54,810	56,039
Elections	20,000	18,835	-	-
Buildings and grounds	110,960	89,893	110,741	90,552
Employee fringe benefits	94,000	102,280	91,500	84,000
County Treasurer	27,490	27,345	35,550	33,552
Collector	55,148	54,412	57,504	56,984
Recorder of Deeds	18,108	-	41,200	37,994
Circuit Clerk	-	18,004	15,375	10,418
Associate Circuit Court	5,375	-	-	-
Court administration	624	112	2,157	775
Public Administrator	22,250	21,863	22,868	22,063
Prosecuting Attorney	59,506	59,438	61,288	61,637
Juvenile Officer	22,024	22,134	18,506	18,505
Coroner	13,595	11,765	13,473	13,160
Other	49,367	64,035	59,935	56,451
Transfers out	77,000	65,500	80,666	100,964
Emergency fund	50,000	7,500	50,000	-
Total Disbursements	<u>758,843</u>	<u>698,421</u>	<u>792,998</u>	<u>718,298</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(126,018)	(19,055)	(98,423)	(44,704)
CASH, JANUARY 1	202,342	202,342	183,287	183,287
CASH, DECEMBER 31	<u>\$ 76,324</u>	<u>183,287</u>	<u>84,864</u>	<u>138,583</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 339,166	343,152	364,796	346,655	-	-	-	-
Sales taxes	140,000	127,246	132,000	131,923	-	-	-	-
Intergovernmental	905,400	684,943	633,100	735,942	79,780	82,921	80,462	85,533
Charges for services	-	-	-	-	1,700	1,545	750	1,092
Interest	10,000	11,496	11,500	13,727	400	760	760	1,815
Other	81,000	122,647	40,500	109,460	100	100	-	861
Transfers in	9,849	6,199	6,180	6,180	21,000	15,500	25,666	25,666
Total Receipts	1,485,415	1,295,683	1,188,076	1,343,887	102,980	100,826	107,638	114,967
DISBURSEMENTS								
Salaries	270,000	247,993	250,000	232,784	65,693	67,753	71,525	71,455
Employee fringe benefits	88,000	76,153	77,000	81,348	11,026	8,440	12,372	9,381
Materials and Supplies	692,500	625,488	492,800	365,988	11,100	7,869	11,870	8,729
Services and Other	100,550	94,707	115,650	55,000	14,807	8,814	13,707	13,305
Capital Outlay	27,500	11,158	41,000	35,405	-	-	-	-
Construction	406,400	321,710	170,000	238,291	-	-	-	-
Transfers out	100,518	100,940	44,344	44,344	-	-	-	-
Total Disbursements	1,685,468	1,478,149	1,190,794	1,053,160	102,626	92,876	109,474	102,870
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(200,053)	(182,466)	(2,718)	290,727	354	7,950	(1,836)	12,097
CASH, JANUARY 1	209,949	209,949	27,483	27,483	4,484	4,484	12,434	12,434
CASH, DECEMBER 31	\$ 9,896	27,483	24,765	318,210	4,838	12,434	10,598	24,531

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT FUND				LEPC FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	135,000	127,209	133,000	131,886	-	-	-	-
Intergovernmental	58,300	39,692	58,000	56,579	5,000	3,771	4,000	3,518
Charges for services	10,000	9,122	10,000	11,611	-	-	-	-
Interest	600	837	800	1,089	90	339	100	120
Other	2,500	564	500	1,372	-	-	-	-
Transfers in	65,000	68,056	71,000	75,000	-	-	-	-
Total Receipts	271,400	245,480	273,300	277,537	5,090	4,110	4,100	3,638
DISBURSEMENTS								
Salaries	166,858	170,462	179,887	172,194	-	-	-	-
Employee fringe benefits	20,000	26,935	-	27,097	-	-	-	-
Materials and Supplies	36,170	21,302	38,470	31,923	-	800	-	-
Services and Other	44,200	26,586	48,480	37,795	10,000	15,590	4,000	5,319
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	3,500	-	-	-	-	-	-	-
Total Disbursements	270,728	245,285	266,837	269,009	10,000	16,390	4,000	5,319
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	672	195	6,463	8,528	(4,910)	(12,280)	100	(1,681)
CASH, JANUARY 1	5,310	5,310	5,505	5,505	13,983	13,983	1,703	1,703
CASH, DECEMBER 31	\$ 5,982	5,505	11,968	14,033	9,073	1,703	1,803	22

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	CHILDREN'S TRUST FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	5,301	8,000	21,619
Charges for services	200	978	1,000	824	-	-	-	-
Interest	20	162	150	239	25	125	125	107
Other	-	-	-	-	4,500	78	100	-
Transfers in	-	-	-	-	3,000	3,422	-	298
Total Receipts	220	1,140	1,150	1,063	7,525	8,926	8,225	22,024
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	7,500	8,272	8,000	10,132
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	529	-	271
Total Disbursements	-	-	-	-	7,500	8,801	8,000	10,403
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	220	1,140	1,150	1,063	25	125	225	11,621
CASH, JANUARY 1	2,994	2,994	4,134	4,134	756	756	881	881
CASH, DECEMBER 31	\$ 3,214	4,134	5,284	5,197	781	881	1,106	12,502

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	CRIME FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,500	3,243	3,500	4,070	245	228	240	155
Interest	60	138	150	179	15	15	15	27
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	3,560	3,381	3,650	4,249	260	243	255	182
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,150	2,409	2,500	2,781	50	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,150	2,409	2,500	2,781	50	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	2,410	972	1,150	1,468	210	243	255	182
CASH, JANUARY 1	2,240	2,240	3,212	3,212	202	202	445	445
CASH, DECEMBER 31	\$ 4,650	3,212	4,362	4,680	412	445	700	627

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	HAVA FUND				SEVER LAKE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	64,000	139	64,000	64,609	600	406	500	421
Charges for services	-	-	-	-	12,000	3,003	5,000	22,304
Interest	500	640	1,000	532	200	587	600	495
Other	-	-	-	100	14	58	15	29
Transfers in	-	-	-	271	-	-	-	-
Total Receipts	64,500	779	65,000	65,512	12,814	4,054	6,115	23,249
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	64,000	2,612	65,300	77,352	8,249	4,930	7,250	8,778
Services and Other	-	751	1,500	436	4,355	4,680	3,569	4,507
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	64,000	3,363	66,800	77,788	12,604	9,610	10,819	13,285
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	500	(2,584)	(1,800)	(12,276)	210	(5,556)	(4,704)	9,964
CASH, JANUARY 1	14,862	14,862	12,278	12,278	15,713	15,713	10,157	10,157
CASH, DECEMBER 31	\$ 15,362	12,278	10,478	2	15,923	10,157	5,453	20,121

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	280	-	-	-	58
Charges for services	980	945	950	330	10,000	6,921	7,500	5,390
Interest	40	81	80	88	300	477	500	528
Other	500	500	500	500	-	-	-	651
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,520	1,526	1,530	1,198	10,300	7,398	8,000	6,627
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	3,000	1,383	8,000	2,454
Services and Other	2,500	1,086	2,500	1,792	7,000	1,448	8,000	7,275
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,500	1,086	2,500	1,792	10,000	2,831	16,000	9,729
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(980)	440	(970)	(594)	300	4,567	(8,000)	(3,102)
CASH, JANUARY 1	1,632	1,632	2,072	2,072	7,960	7,960	12,527	12,527
CASH, DECEMBER 31	\$ 652	2,072	1,102	1,478	8,260	12,527	4,527	9,425

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	TECHNOLOGY FUND				USERS FEES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,000	1,171	1,000	-	1,800	1,930	1,900	1,928
Interest	10	49	50	68	10	95	100	37
Other	-	-	-	1,110	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,010	1,220	1,050	1,178	1,810	2,025	2,000	1,965
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	2,000	1,000	-	-	2,431	-	-
Services and Other	-	-	-	-	-	1,699	1,600	1,332
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	2,000	1,000	-	-	4,130	1,600	1,332
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,010	(780)	50	1,178	1,810	(2,105)	400	633
CASH, JANUARY 1	1,580	1,580	800	800	2,523	2,523	418	418
CASH, DECEMBER 31	\$ 2,590	800	850	1,978	4,333	418	818	1,051

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COLLECTOR'S MAINTENANCE FUND				ECONOMIC DEVELOPMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	6,200	3,991	4,000	5,244	-	-	-	-
Interest	100	196	200	340	3,000	4,957	5,000	5,879
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	6,300	4,187	4,200	5,584	3,000	4,957	5,000	5,879
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,500	-	500	325	-	-	-	-
Services and Other	2,200	1,733	2,299	2,455	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,700	1,733	2,799	2,780	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,600	2,454	1,401	2,804	3,000	4,957	5,000	5,879
CASH, JANUARY 1	2,458	2,458	4,912	4,912	103,824	103,824	108,781	108,781
CASH, DECEMBER 31	\$ 4,058	4,912	6,313	7,716	106,824	108,781	113,781	114,660

The accompanying Notes to the Financial Statements are an integral part of these statements.

KNOX COUNTY, MISSOURI
 FIDUCIARY FUNDS - AGENCY FUNDS
 YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
 STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
 REGULATORY BASIS

	2007		2006	
Agency Fund	Cash and Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Other Officeholder Funds	\$ 5,778	5,778	1,345	1,345
Collector	2,986,536	2,986,536	2,727,057	2,727,057
County Employee Retirement Fund	1,522	1,522	1,755	1,755
Rock Creek Cemetary	350	350	443	443
Criminal Cost	-	-	-	-
Davis Cemetary	1,477	1,477	-	-
Overplus	577	577	544	544
Unclaimed	747	747	348	348
Restitution	2,950	2,950	203	203
Interest and Fines	45,028	45,028	60,720	60,720
Undistributed Schools	22,851	22,851	36	36
Total	<u>\$ 3,067,816</u>	<u>3,067,816</u>	<u>2,792,451</u>	<u>2,792,451</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Knox County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are eleven elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Associate Division Judge, Coroner, Collector, Prosecuting Attorney, Public Administrator, Recorder, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Knox County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized

when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo. The County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law, the county did adopt a formal budget for all funds.
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:
 - a. Law Enforcement Fund - 2007
 - b. LEPC Fund – 2006 and 2007
 - c. Election Fund – 2006 and 2007
 - d. Crime Fund – 2006 and 2007
 - e. HAVA Fund - 2007
 - f. Sever Lake Fund - 2007
 - g. Technology Fund - 2006
 - h. User Fee Fund - 2006

E. Property Taxes

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation, set forth in Form 1039 submitted to the Missouri Department of Revenue Taxation Bureau March 13, 2008 and March 19, 2007 respectively was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 30,898,333	27,455,648
Personal Property	16,567,546	15,671,284
Railroad and Utilities	5,761,776	5,240,461

During 2007 and 2006 the County Commission approved a \$0.28 and \$0.30 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$.2800</u>	<u>\$.3000</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$3,742,632 and \$3,183,480 and the bank balance was \$2,286,342 and \$2,215,953, respectively. Of the bank balances, \$218,286 and \$208,111 for December 31, 2007 and 2006, respectively, were covered by federal depository insurance and \$2,068,056 and \$2,007,842, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$20,189 and \$19,714, respectively, for the years then ended, equal to the required contributions.

4. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County is indebted to contribute \$2,057 and \$2,431, respectively, for the years ended December 31, 2007 and 2006.

5. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect

coverage under the Act, and no direct costs are incurred by the County.

6. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees who have completed three months of service, with up to 90.5 days of sick time -- to accrue at two days per complete calendar month of employment up to 90.5 days. Upon termination, the employee is not compensated for accrued sick time. Vacation time is earned for every full time employee who has completed their one year introductory period. For employees with one to five years of service they earn five days of vacation and five personal days per year. For employees with over five year's service, 10 days of vacation and 10 personal days are earned each year. Employees can not accrue unused vacation or personal time.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditure of federal awards did not exceed \$500,000 in either 2006 or 2007 and, accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess Insurance.

8. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Knox County, Missouri

We have audited the financial statements of Knox County, Missouri as of and for the years ended December 31, 2007, and December 31, 2006 which collectively comprise the County of Knox, Missouri's basic financial statements and have issued our report thereon dated July 25, 2008 in which we gave a qualified opinion based upon a lack of internal controls over the budgeting and purchasing/cash disbursement processes. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Knox County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Knox County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knox County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Knox County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Knox County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Knox County, Missouri's internal control. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting. See findings 1-8.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Knox County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal controls that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 1-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 9-12.

Knox County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Knox County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates

July 25, 2008

KNOX COUNTY, MISSOURI
Findings and Recommendations

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Lack of Controls Over Adjustments to Property Tax Bills

Condition: State Statutes provide that the duties of property assessment, property tax billing and property tax collection be handled by separate offices within the counties. This separation is designed to eliminate the ability of any one official to initiate and conceal an irregularity with respect to property taxes.

The property tax system at Knox County is not in accordance with the statutes and does not provide for separation of incompatible functions. While the Assessor determines and documents the original assessed values, subsequent changes to those values can be made by the Collector. Because the Collector can access the property tax system and adjust tax bills, any cash collection that was not recorded or deposited could be concealed by simply abating the tax bill.

We were advised that the County Clerk reviews the form (an assessment list) which documents the abatement, but this review is only effective if the Collector provides the form to the Clerk and if the Clerk either knows or understands the situation generating the abatement.

Recommendation: We recommend that access to the property tax rolls be immediately restricted to only personnel in the Assessor's Office. All changes to the tax bills should require an authorized addition or abatement, approved by the Assessor and the Presiding Commissioner, with a copy to the Clerk. The Clerk should maintain an independent record of the additions and abatements and reconcile these amounts to the Collector's monthly statement.

This system will provide assurance that only authorized changes to the assessed valuations and property tax bills are processed.

County's Response: "Take under advisement. Have already started making these changes."

2. Verification of Collector's Records

Condition: We were advised that the County Clerk maintains separate records from the Collector for use in balancing to the Collector each month. Upon further review, we learned that the records are provided to the Clerk by the Collector, in the form of receipt totals, property lists (for additions or abatements) and disbursement totals. Unfortunately this system is only effective if all receipts are accurately reported on the list, all property lists are provided and disbursement totals are accurate. None of these conditions is assured by the present processes.

We also noted that the Road and Bridge Fund property tax revenue presented in the County's 07 financial statements, as published in the 2008 budget, is \$20,000 less than the amount that the Collector actually remitted to the Treasurer, as verified by both the Collector and the Treasurer. The Clerk was unable to explain this discrepancy except to note that there must have been a posting error somewhere.

Recommendation: We recommend the County Clerk review the Collector's Monthly Settlement for completeness prior to accepting it. This review process should include totaling the document.

We also recommend the County Clerk obtain receipt information from the computer-generated monthly Collector's cash receipts listing, obtain addition and abatement totals directly from the Assessor, obtain disbursement information from check copies, and agree the collection and disbursement information to the actual bank statement on a test basis. This system will require minimal time and will provide an effective internal control.

County's Response: "Take under advisement."

3. **Verification of Treasurer's Settlement**

Condition: One of the duties mandated of the County Clerk is to balance with the Treasurer on a monthly basis. The Clerk's financial statements do not reconcile to the Treasurer's Semi-Annual Settlement and bank accounts due to the omission of an entire fund from the Treasurer's Settlement. The omission which resulted in an incorrect total would have been evident if an adequate reconciliation process existed between the Clerk and the Treasurer.

We also noted that the balancing process in place does not include the Clerk viewing the Treasurer's bank statement. Instead, the Clerk uses receipt and check copies, both of which are provided by the Treasurer, to balance to the Treasurer's records. The Clerk has no way of determining whether all receipts and checks were provided because the Clerk does not actually see the bank statement. Therefore, if the Treasurer failed to write a receipt or wrote a receipt in the wrong amount from another receipt book not given to the Clerk, or if the Treasurer wrote an improper check with a later check number sequence, the Clerk's review would not detect the irregularity.

Recommendation: We recommend the County Clerk reconcile the Clerk's records to the Treasurer's records, by fund, as required by State Statute. The Clerk should also agree the receipt copies and check copies directly to the Treasurer's bank statement, and maintain a balance which can be agreed to the

Treasurer's reconciled bank statement. These procedures will require minimal additional time and will provide an effective balancing between the Treasurer and Clerk.

County's Response: "Take under advisement. Treasurer will provide a copy of bank statement."

4. **Inadequate Controls Over the Check-Writing Function**

Condition: One signature stamp exists with all three signatures required to issue a county check. Both this stamp and the blank check stock are maintained by the Treasurer. In addition, another series of checks on the same account requires only the

Treasurer's signature. The blank check stock for these checks is also maintained by the Treasurer.

Recommendation: We recommend the County adopt a policy that requires the independent review and approval of all checks by the Treasurer, Clerk and Presiding Commissioner. The involvement of these officials provides for the Treasurer to ensure funds are available, the Clerk to ensure budgetary authority exists, and the Presiding Commissioner to ensure that the disbursement is for valid County purposes and in accordance with approved policy.

County's Response: "We feel we are doing this in a way that is already being implemented."

5. Inadequate Controls over County Purchases and Payments

Condition: During our review of the purchasing and payments functions, we noted several internal control weaknesses that could allow erroneous payments or improper purchases to occur and remain undetected. These control deficiencies include:

- The process for payment of goods does not include noting "Paid" on actual invoices. At times the payment voucher is noted as paid and attached to the actual invoice, however, this is not consistently done. As a result, an invoice could be accidentally or intentionally presented for payment more than once.
- The County does not have a control to ensure that materials and equipment for which the County was invoiced were actually received, used for County operations and are properly invoiced. There is no standard process to affix accountability for receipt of goods or for their approval for payment. Invoices are not consistently signed or initialed by the County official or employee who actually receives them.
- Our audit tests of Road and Bridge expenditures revealed that several invoices of substantial dollar amounts were missing. The County has not been able to produce these invoices to date.

Recommendation: We recommend the County implement a purchasing process that is documented, communicated to all those involved in purchasing, and includes the following internal controls:

- All invoices are to be noted as "Paid" at the time they are approved. We have observed that in many counties that a County Commissioner stamps the invoice paid at the time it is reviewed and approved.
- All bills of lading, receiving reports or invoices are to be signed by the receiver of the item purchased.
- All invoices are to be organized in a logical manner, secured, and retained until completion of audits conducted by both the State Auditor and independent auditors. Invoices associated with purchases financed by Federal funds should be retained as required by the grantor.

County Response: “We feel we are doing this by Commissioners “Approving” and signing the voucher. We have contacted the Road/Bridge Supervisor about initialing shipping receipts, etc. We have all rock invoices. Will start stamping “paid” and have better filing system. Will take under advisement.”

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

6. Financial Statement Accuracy

Condition: The County’s 2006 financial statements do not agree with the financial statements for the same period, as reported in the 2007 budget. The County Clerk could not explain the difference except to note that there was an error.

Recommendation: We recommend the County Clerk document any changes to the accounting records or financial statements, particularly with respect to previously published financial statements. Changes occurring subsequent to the publication of financial statements can allow for the concealment of errors and irregularities in subsequent year’s financial statements.

County’s Response: “Will take under advisement.”

7. Inadequate Controls Over Payroll Processing

Condition: The payroll clerk in the County Clerk’s office is responsible for entering new employee information with respect to rate of pay, position, and withholdings into the payroll system. The payroll clerk also receives time sheets from County employees, enters timesheet information (hours, leave time, etc) into the payroll system, enters salary changes as they occur, prepares payroll reports and notifies the Treasurer when payroll checks should be printed.

Recommendation: While we were advised that the payroll clerk checks her own work, there is no independent review of individual employee data entered, or totals input each pay period, such that errors or irregularities would be detected.

We recommend the County Clerk or her designee total the hours from time sheets submitted for processing and compare that total to the payroll register generated from the computer. This review should be documented. The Clerk should also review and initial a computer-generated edit listing of all changes to salary or personnel data.

County’s Response: “Will try to comply.”

8. Absence of Salary and Wage Rate Documentation or Approval

Condition: We were advised that the County does not have a listing of approved employee salary and wage rates. While the Commission approves the budget and individual raises, there is no documented approval of the resulting salary levels, nor is this information available for use by the payroll clerk when entering the new payroll information, or by the County Clerk when reviewing payroll.

Recommendation: We recommend that, as part of the budget process, the Commission be provided a listing of employees and their current and proposed salaries. This list, when revised and approved, should be available to the payroll clerk

to facilitate her entry of new payroll information. The list should also be used by the County Clerk to check the clerk's entry of new payroll levels into the payroll system.

County's Response: "Will try to comply."

ITEMS OF NONCOMPLIANCE

9. Recording Board of Equalization Property Valuation Changes

Condition: State Statutes provide that the Assessor is to prepare and file with the State a Form 11, which documents the initial assessed values of all property as of January 1 of each year. After the Board of Equalization meets in the summer, an updated Form 11A is to be filed reflecting changes occurring as a result of the Board of Equalization decisions as well as changes occurring during the normal course of business.

We noted during our audit that the Form 11 and the Form 11A are substantially identical, and do not reflect the changes made as of the filing date in October of each year. We also noted that the assessed valuations on the property tax rolls do not agree to the Form 11A. Accordingly, there is no property tax roll ever generated that corresponds to the certified assessed valuations upon which the approved levy is applied. It appears that the Assessor is certifying to the accuracy of valuations that are, in fact, outdated and no longer correct. Further, it appears that the Clerk is certifying to a tax roll that, if generated, would be incorrect.

Recommendation: We recommend the County adhere to the State-mandated processes and adjust the assessed valuation records as they occur, prior to the cut-off for printing the current year property tax billings. At that time the Assessor's books should be used to prepare the Form 11A, and these same revised valuations should be used as the basis for the property tax rolls. This will reduce the subsequent processing of additions and abatements, requiring the abating and preparation of corrected tax bills which, as discussed previously, is a complicated process not subjected to effective internal controls.

County's Response: "Will take under advisement"

10. Budgetary Overages

Condition: Disbursements exceeded budgeted amounts for the following funds:

Fund	Year Ended December 31,	
	2007	2006
Law Enforcement	\$ 2,172	N/A
LEPC	1,319	6,390
Election	2,403	1,301
Crime	281	1,258
HAVA	10,988	N/A
Sever Lake	2,466	N/A
Technology	N/A	2,000
User Fees	N/A	1,931

Strict compliance with county budget law is required by county officials. Such compliance helps ensure that county funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: "Will take under advisement."

11. Budgetary Procedures

Condition: We were informed by the County Clerk that the budget creation process is based on the previous year's actual numbers or simply a "guess" with respect to the coming year's activity. We noted several significant budget compared to actual variances for which we could not obtain an explanation.

RSMo 50.550.1 states that "The annual budget shall present a complete financial plan for the ensuing budget year. It shall set forth all proposed expenditures for the administration, operation and maintenance of all offices, departments, commissions, courts and institutions; the actual or estimated operating deficits or surpluses from prior years; all interest and debt redemption charges during the year and expenditures for capital projects." The Statutes (RSMo 50.590) further require that:

"The budget document shall include the following:

(1) A budget message outlining the fiscal policy of the government for the budget year and describing the important features of the budget plan, giving a general budget summary setting forth the aggregate figures of the budget in a manner to show the balanced relations between total proposed expenditures and total expected income and other means of financing the

budget compared with the corresponding figures for the last completed fiscal year and the current fiscal year, and including explanatory schedules classifying expenditures by organization units, objects and funds, and income by organization units, sources and funds."

Recommendation: We recommend the County Clerk, Commission and Officeholders work together to draft an annual budget that can be supported by a plan of activities and programs, as well as research, trend analysis and other techniques for projecting both revenues and expenditures, as required by State Statute.

County Response: "Take under advisement."

12. Controls and Records of Investments

Condition: The County does not have a written investment policy. In addition when the audit team inquired about investments owned by the County neither the Treasurer nor County Clerk could provide documentation identifying the investments owned by the County during the two years (2006 and 2007) under audit. Furthermore, a reconciliation of interest income per the bank statement compared to the amounts recorded in the financial statements showed variances in each year.

Recommendation: We recommend the County maintain an investment ledger, noting investments purchased, matured, and on hand, by institution and by maturity date. The interest rate and term should also be recorded. Such a record allows for all County investments to be confirmed as existing and under the ownership of the County, and also provides support for amounts recorded in the financial statements.

County's Response: "Take under advisement."

KNOX COUNTY, MISSOURI
FOLLOW-UPON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, this section reports the auditors' follow up on action taken by Knox County, Missouri on the applicable findings in the prior audit report issued for the two years ended December 31, 2003, and 2002.

Condition: In December 2003, transactions were made that effectively lowered the cash balance of the Road and Bridge Fund by over \$150,000. The County prepaid certain vendors prior to receiving goods and services in amounts of approximately \$150,000. Prepaying for goods to be received at a later date could result in the county paying for goods or services not received.

Current Status: We did not identify this condition during the current audit.

Condition: There were several concerns regarding the County's personnel policies and procedures including a lack of timesheets and accurate leave records, payroll checks issued in advance, an employee received both sick leave and unemployment compensation for the same time period, and errors in the calculation and payment of overtime for a Sheriffs deputy. Similar concerns were noted in previous audit reports.

Current Status: Our audit revealed a lack of controls in payroll procedures. See finding numbers 7 and 8.

Condition: Formal budgets were not prepared for various county funds and, as noted in previous reports, actual disbursements exceeded the budgeted amounts in various funds. In addition, the county's budgets contained several misclassifications of receipts and disbursements. Also, as noted in previous reports, the annual published financial statements did not include some county funds and did not include complete financial activity of other county funds. The County did not properly calculate the property tax roll back in 2003 and 2002.

Current Status: Certain deficiencies in the budget process existed in 2006 and 2007. See finding numbers 10 and 11.

Condition: Controls over county disbursements needed improvement. Bids were not always solicited or documented and, as noted in previous reports, payments were approved without adequate supporting documentation and without acknowledgement of receipt of goods or services. In addition, written contracts were sometimes not prepared specifying the arrangements between applicable parties.

Current Status: Certain deficiencies in the disbursements process existed in 2006 and 2007. See finding numbers 4 and 5.

Condition: Controls over the preparation of and changes to the property tax books were not adequate. Prior audit reports have also addressed this problem with the County Clerk.

Current Status: Certain deficiencies concerning changes to the property tax books were identified in 2006 and 2007. See finding number 1.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wayne County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-90

**THE COUNTY OF WAYNE, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006**

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
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(the Primary Government)
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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT
(the Primary Government)

To the County Commission
The County of Wayne, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Wayne, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the primary government of Wayne County, Missouri, basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Wayne County and the Wayne County Agency for Developmental Disabilities have issued separate reporting entity financial statements. For information on these component units, please contact the Wayne County Health Department and the Wayne County Agency for Developmental Disabilities, HCR 1 Box 1025, Silva, MO, 63964, 573-224-3645.

As described in Note 1, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2008 on our consideration for the Primary Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – Modified Cash Basis – Budget and Actual and related notes on pages 25 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 31 through 38 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

August 29, 2008

FINANCIAL STATEMENTS

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED

	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
ASSETS:		
Cash and cash equivalents	341,479.16	179,619.35
Investments	<u>54,034.45</u>	<u>25,468.31</u>
TOTAL ASSETS	<u><u>395,513.61</u></u>	<u><u>205,087.66</u></u>
NET ASSETS:		
Unrestricted	44,338.62	22,041.10
Restricted for special purposes	<u>351,174.99</u>	<u>183,046.56</u>
TOTAL NET ASSETS	<u><u>395,513.61</u></u>	<u><u>205,087.66</u></u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense)
			Operating	Capital	Revenue and
			Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
	Expenses	Charges for			Total
		Services			Governmental
					Activities
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES:					
General county government	990,922.72	503,090.14	1,000,249.28	-	512,416.70
Financial administration	115,439.26	-	-	-	(115,439.26)
Property valuation and recording	209,158.46	-	-	-	(209,158.46)
Administration of justice and law enforcement	848,737.04	-	-	-	(848,737.04)
Health and welfare	17,974.71	-	-	-	(17,974.71)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of roads	1,124,855.50	62,280.10	670,857.85	-	(391,717.55)
Park Maintenance	-	-	-	-	-
Other	7,577.45	-	-	-	(7,577.45)
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:					
Construction of roads and bridges	168,734.15	-	-	-	(168,734.15)
Property, equipment and buildings	59,748.57	-	-	-	(59,748.57)
TOTAL GOVERNMENTAL ACTIVITIES	3,543,147.86	565,370.24	1,671,107.13	-	(1,306,670.49)

General Revenues:

Taxes

 Property taxes, levied

311,418.88

 Sales tax

907,978.73

Investment income

8,105.28

Miscellaneous

269,593.55

TOTAL GENERAL REVENUES

1,497,096.44

CHANGE IN NET ASSETS

190,425.95

NET ASSETS, BEGINNING OF YEAR

205,087.66

NET ASSETS, END OF YEAR

395,513.61

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
				Total
				Governmental
				Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General county government	1,678,091.81	489,742.20	1,257,573.86	-
Financial administration	105,528.82	-	-	-
Property valuation and recording	19,383.73	-	-	-
Administration of justice and law enforcement	735,656.72	-	-	-
Health and welfare	-	-	-	-
Special Services	-	-	-	-
Surveyor	-	-	-	-
Maintenance of roads	1,130,433.10	86,822.05	1,234,357.94	-
Park Maintenance	96,774.31	-	-	-
Other	21,672.27	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal charges	-	-	-	-
Capital Outlay:				
Construction of roads and bridges	757,644.17	-	-	-
Property, equipment and buildings	20,000.00	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,565,184.93</u>	<u>576,564.25</u>	<u>2,491,931.80</u>	<u>-</u>

General Revenues:	
Taxes	
Property taxes, levied	277,907.60
Sales tax	869,902.05
Investment income	5,260.93
Miscellaneous	284,234.64
TOTAL GENERAL REVENUES	<u>1,437,305.22</u>
CHANGE IN NET ASSETS	<u>(59,383.66)</u>
NET ASSETS, BEGINNING OF YEAR	<u>264,471.32</u>
NET ASSETS, END OF YEAR	<u>205,087.66</u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	General	Road and Bridge	Nonmajor Governmental Funds	Total Governmental Funds	General	Road and Bridge	Recorder's Users' Fees	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	44,338.62	79,846.78	217,293.76	341,479.16	22,041.10	57,599.40	7,337.96	179,619.35
Investments	-	27,279.58	26,754.87	54,034.45	-	-	15,491.82	25,468.31
				-				-
TOTAL ASSETS	<u>44,338.62</u>	<u>107,126.36</u>	<u>244,048.63</u>	<u>395,513.61</u>	<u>22,041.10</u>	<u>57,599.40</u>	<u>22,829.78</u>	<u>205,087.66</u>
FUND BALANCES								
FUND BALANCES:								
Unreserved:								
General Fund	44,338.62	-	-	44,338.62	22,041.10	-	-	22,041.10
Special revenue funds	-	107,126.36	244,048.63	351,174.99	-	57,599.40	22,829.78	183,046.56
Total Fund Balances	<u>44,338.62</u>	<u>107,126.36</u>	<u>244,048.63</u>	<u>395,513.61</u>	<u>22,041.10</u>	<u>57,599.40</u>	<u>22,829.78</u>	<u>205,087.66</u>
TOTAL FUND BALANCES	<u>44,338.62</u>	<u>107,126.36</u>	<u>244,048.63</u>	<u>395,513.61</u>	<u>22,041.10</u>	<u>57,599.40</u>	<u>22,829.78</u>	<u>205,087.66</u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006				
	General	Road and Bridge	Non-Major Governmental Funds	Total Governmental Funds	General	Road and Bridge	Recorders Users Fees	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:									
Property taxes	187,114.42	124,304.46	-	311,418.88	167,839.17	110,068.43	-	-	277,907.60
Sales tax	454,110.43	453,868.30	-	907,978.73	434,949.92	434,952.13	-	-	869,902.05
Grants, distributions and reimbursements	454,693.91	670,857.85	545,555.37	1,671,107.13	528,953.20	1,234,357.94	-	728,620.66	2,491,931.80
Fees, licenses, and permits	192,829.59	62,280.10	310,260.55	565,370.24	190,950.89	86,822.05	9,911.50	288,879.81	576,564.25
Interest	1,425.29	4,159.75	2,520.24	8,105.28	858.45	2,592.12	726.81	1,083.55	5,260.93
Other	129,452.41	47,038.21	93,102.93	269,593.55	136,270.33	54,527.56	4,975.00	88,461.75	284,234.64
Total Revenues	<u>1,419,626.05</u>	<u>1,362,508.67</u>	<u>951,439.09</u>	<u>3,733,573.81</u>	<u>1,459,821.96</u>	<u>1,923,320.23</u>	<u>15,613.31</u>	<u>1,107,045.77</u>	<u>4,505,801.27</u>
EXPENDITURES:									
Current:									
General county government	618,492.18	-	372,430.54	990,922.72	861,348.22	-	5,464.23	811,279.36	1,678,091.81
Financial administration	115,439.26	-	-	115,439.26	105,528.82	-	-	-	105,528.82
Property valuation and recording	40,909.59	-	168,248.87	209,158.46	19,383.73	-	-	-	19,383.73
Administration of justice and enforcement	655,939.39	-	192,797.65	848,737.04	601,212.61	-	-	134,444.11	735,656.72
Health and welfare	17,974.71	-	-	17,974.71	-	-	-	-	-
Special Services	-	-	-	-	-	-	-	-	-
Surveyor	-	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	1,124,088.76	766.74	1,124,855.50	-	1,129,681.71	-	751.39	1,130,433.10
Justice Center	-	-	-	-	-	-	-	-	-
Park Maintenance	-	-	-	-	-	-	-	96,774.31	96,774.31
Other	-	-	7,577.45	7,577.45	-	-	-	21,672.27	21,672.27
Capital outlay:									
Construction of roads and bridges	-	168,734.15	-	168,734.15	-	757,644.17	-	-	757,644.17
Property, equipment and buildings	-	15,255.00	44,493.57	59,748.57	-	20,000.00	-	-	20,000.00
Total Expenditures	<u>1,448,755.13</u>	<u>1,308,077.91</u>	<u>786,314.82</u>	<u>3,543,147.86</u>	<u>1,587,473.38</u>	<u>1,907,325.88</u>	<u>5,464.23</u>	<u>1,064,921.44</u>	<u>4,565,184.93</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,129.08)	54,430.76	165,124.27	190,425.95	(127,651.42)	15,994.35	10,149.08	42,124.33	(59,383.66)
OTHER FINANCING SOURCES (USES):									
Transfers in	79,290.69	66,532.73	27,864.09	173,687.51	121,684.07	31,468.69	-	9,210.03	162,362.79
Transfers out	(27,864.09)	(71,436.53)	(74,386.89)	(173,687.51)	(9,210.03)	(97,727.51)	(22,956.56)	(32,468.69)	(162,362.79)
Debt Service	-	-	-	-	-	-	-	-	-
Principal payment	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	<u>51,426.60</u>	<u>(4,903.80)</u>	<u>(46,522.80)</u>	<u>-</u>	<u>112,474.04</u>	<u>(66,258.82)</u>	<u>(22,956.56)</u>	<u>(23,258.66)</u>	<u>0.00</u>
NET CHANGE IN FUND BALANCE	22,297.52	49,526.96	118,601.47	190,425.95	(15,177.38)	(50,264.47)	(12,807.48)	18,865.67	(59,383.66)
FUND BALANCE - BEGINNING OF YEAR	<u>22,041.10</u>	<u>57,599.40</u>	<u>125,447.16</u>	<u>205,087.66</u>	<u>37,218.48</u>	<u>107,863.87</u>	<u>35,637.26</u>	<u>83,751.71</u>	<u>264,471.32</u>
FUND BALANCE - END OF YEAR	<u>44,338.62</u>	<u>107,126.36</u>	<u>244,048.63</u>	<u>395,513.61</u>	<u>22,041.10</u>	<u>57,599.40</u>	<u>22,829.78</u>	<u>102,617.38</u>	<u>205,087.66</u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 395,513.61
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u>\$ 395,513.61</u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because

Total Fund Balance – Governmental Funds	\$ 205,087.66
There are no items of reconciliation	<u>-</u>
Total Net Assets – Governmental Activities	<u>\$ 205,087.66</u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Total net change in fund balances – governmental funds	\$ 190,425.95
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 190,425.95</u></u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (59,383.66)
There are no items of reconciliation	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (59,383.66)</u></u>

See accompanying notes to the financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS
FOR THE YEARS ENDED

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	3,605,466.57	3,729,662.37
Investments	<u>47,123.58</u>	<u>44,879.57</u>
TOTAL ASSETS	<u><u>3,652,590.15</u></u>	<u><u>3,774,541.94</u></u>
LIABILITIES		
Due to other funds	<u>3,652,590.15</u>	<u>3,774,541.94</u>
TOTAL LIABILITIES	<u><u>3,652,590.15</u></u>	<u><u>3,774,541.94</u></u>

See accompanying notes to financial statements

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wayne, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1818 an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting attorney.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financially accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Wayne County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County of Wayne, Missouri as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Wayne County, Missouri, and the Wayne County Agency for Developmental Disabilities have issued separate reporting entity financial statements. For information on these component units, please contact the Wayne County Health Department at 573-224-3218 or write to P.O. Box 259, Greenville, MO, 63944 or the Wayne County Agency for Developmental Disabilities at 573-224-3645 or write to HCR 1 Box 1025, Silva, MO, 63964.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Wayne County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The statement of net assets presents the financial condition of the governmental activities of the primary government of Wayne County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Law Enforcement Sales Tax, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Recorder's Users Fees Fund (2006 only) - A special revenue fund used for the use of the Recorder's equipment purchases, office upkeep and salaries for help if required.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 74,715,583	\$ 63,611,469
Personal Property	28,520,750	31,649,115
Railroad and Utilities	11,731,460	11,729,978
	<u>\$ 114,967,793</u>	<u>\$ 106,990,562</u>

During 2007 and 2006 the County Commission approved a \$0.255 and \$0.255 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$ 0.1450	\$ 0.1450
Road and Bridge	\$ 0.1100	\$ 0.1100
	<u>\$ 0.2550</u>	<u>\$ 0.2550</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

E. Cash Deposits and Investments (concluded)

Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or are legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$482,533.05 and \$290,150.00 the bank balance was \$620,982.40 and \$522,405.54 respectively.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash	\$ 341,479.16
Investments	<u>54,034.45</u>

Total Cash & Investments as of December 31, 2007	\$ <u>395,513.61</u>
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As of December 31, 2007, the County's investments were as follows:

<u>Investments 2007</u>			
Fund	Type	Maturities	Cost
Road and Bridge	Certificate of Deposit	06/28/2008	\$ 27,279.58
Land Fill	Certificate of Deposit	10/01/2008	10,473.82
Circuit Clerk	Certificate of Deposit	01/18/2008	<u>16,281.05</u>
Total Investments			\$ <u>54,034.45</u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2006, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Cash	\$ 179,619.35
Investments	<u>25,468.31</u>

Total Cash & Investments as of December 31, 2006	\$ <u>205,087.66</u>
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THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2006, the County's investments were as follows:

<u>Fund</u>	<u>Investments 2006</u>		
	<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Land Fill	Certificate of Deposit	10/01/2007	\$ 9,976.49
Circuit Clerk	Certificate of Deposit	01/18/2007	15,491.82
Total Investments			<u><u>\$ 25,468.31</u></u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk at year end.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

The County has no policy in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Maturities of investment held at December 31, 2007 and 2006 are provided in the schedule above.

Investment Credit Risk

The County has no policy in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer.

As of December 31, 2007 and 2006, all investments of the County were rated AAA.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

2. CASH AND INVESTMENTS (CONCLUDED)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities.

At December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U.S. Government.

3. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds				
General Fund	\$ 79,290.69	\$ 27,864.09	\$ 121,684.07	\$ 9,210.03
Road and Bridge	\$ 66,532.73	\$ 71,436.53	\$ 31,468.69	\$ 97,727.51
Recorder's Users	0.00	5,000.00	0.00	22,956.56
Non-major Funds	\$ 27,864.09	\$ 69,386.89	\$ 9,210.03	\$ 32,468.69
Total	<u>\$ 173,687.51</u>	<u>\$ 173,687.51</u>	<u>\$ 162,362.79</u>	<u>\$ 162,362.79</u>

4. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

4. COUNTY EMPLOYEE'S RETIRMENT FUND (CERF) (CONCLUDED)

A. Plan Description (concluded)

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for all departments.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$94,296.43 and \$88,057.88, respectively, for the years then ended.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

5. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2007 and 2006.

6. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

7. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

At this time there are no litigation matters for years ended December 31, 2007 and 2006.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for sick leave. Sick time is accrued at ½ a day per month after the first 90 days of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

8. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

8. RISK MANAGEMENT (CONCLUDED)

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

9. SUBSEQUENT EVENTS

The Wayne County Improvement Corp was organized in order to construct a new administration and detention facility in Wayne County. Construction will begin on the new facility in 2008.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS-BUDGET AND ACTUAL-GENERAL FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property taxes	167,955.00	167,955.00	187,114.42	19,159.42	143,507.61	143,507.61	167,839.17	24,331.56
Sales tax	430,000.00	430,000.00	454,110.43	24,110.43	430,000.00	430,000.00	434,949.92	4,949.92
Grants, distributions and reimbursements	349,023.16	349,023.16	454,693.91	105,670.75	447,139.56	447,139.56	528,953.20	81,813.64
Fees, licenses, other taxes and permits	193,338.05	193,338.05	192,829.59	(508.46)	192,850.00	192,850.00	190,950.89	(1,899.11)
Interests	700.00	700.00	1,425.29	725.29	700.00	700.00	858.45	158.45
Other	151,869.05	151,869.05	129,452.41	(22,416.64)	134,175.56	134,175.56	136,270.33	2,094.77
Total Revenues	1,292,885.26	1,292,885.26	1,419,626.05	126,740.79	1,348,372.73	1,348,372.73	1,459,821.96	111,449.23
EXPENDITURES:								
Current:								
General county government	689,798.38	689,798.38	618,492.18	71,306.20	947,972.02	947,972.02	861,348.22	86,623.80
Financial Administration	117,576.19	117,576.19	115,439.26	2,136.93	110,461.12	110,461.12	105,528.82	4,932.30
Property valuation and recording	41,652.03	41,652.03	40,909.59	742.44	20,715.24	20,715.24	19,383.73	1,331.51
Administration of justice and law enforcement	623,313.79	623,313.79	655,939.39	(32,625.60)	621,532.50	621,532.50	601,212.61	20,319.89
Justice Center	50,000.00	50,000.00	17,974.71	32,025.29	-	-	-	-
Capital Outlay:								
Property, equipment and buildings	-	-	-	-	-	-	-	-
Total Expenditures	1,522,340.39	1,522,340.39	1,448,755.13	73,585.26	1,700,680.88	1,700,680.88	1,587,473.38	113,207.50
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(229,455.13)	(229,455.13)	(29,129.08)	200,326.05	(352,308.15)	(352,308.15)	(127,651.42)	224,656.73
OTHER FINANCING SOURCES (USES):								
Transfers in	237,391.33	237,391.33	79,290.69	(158,100.64)	327,048.35	327,048.35	121,684.07	(205,364.28)
Transfers out	(23,264.09)	(23,264.09)	(27,864.09)	(4,600.00)	(9,210.03)	(9,210.03)	(9,210.03)	-
Debt Service	-	-	-	-	-	-	-	-
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	214,127.24	214,127.24	51,426.60	(162,700.64)	317,838.32	317,838.32	112,474.04	(205,364.28)
NET CHANGE IN FUND BALANCE	(15,327.89)	(15,327.89)	22,297.52	37,625.41	(34,469.83)	(34,469.83)	(15,177.38)	19,292.45
RESTATED FUND BALANCE - BEGIN OF YEAR	22,041.10	22,041.10	22,041.10	-	37,218.48	37,218.48	37,218.48	-
FUND BALANCE - END OF YEAR	6,713.21	6,713.21	44,338.62	37,625.41	2,748.65	2,748.65	22,041.10	19,292.45

See accompanying independent auditors' report

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS-BUDGET AND ACTUAL-GENERAL FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 71,229.76	71,229.76	70,885.45	\$ 344.31	\$ 68,901.64	68,901.64	68,887.15	\$ 14.49
County Clerk	59,935.76	59,935.76	59,160.94	774.82	71,029.00	71,029.00	69,729.85	1,299.15
Elections	45,925.32	45,925.32	43,079.71	2,845.61	300,737.10	300,737.10	292,057.53	8,679.57
Buildings and grounds	83,257.12	83,257.12	53,131.74	30,125.38	60,457.12	60,457.12	53,321.23	7,135.89
Employee fringe benefits	271,163.18	271,163.18	250,997.56	20,165.62	301,045.38	301,045.38	246,495.07	54,550.31
Emergency Fund	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Other	158,287.24	158,287.24	141,236.78	17,050.46	145,801.78	145,801.78	130,857.39	14,944.39
	689,798.38	689,798.38	618,492.18	71,306.20	947,972.02	947,972.02	861,348.22	86,623.80
Financial Administration:								
Collector	79,666.67	79,666.67	77,568.12	2,098.55	75,141.12	75,141.12	71,211.95	3,929.17
Treasurer	37,909.52	37,909.52	37,871.14	38.38	35,320.00	35,320.00	34,316.87	1,003.13
	117,576.19	117,576.19	115,439.26	2,136.93	110,461.12	110,461.12	105,528.82	4,932.30
Property Valuation and Recording:								
Recorder of Deeds	41,652.03	41,652.03	40,909.59	742.44	20,715.24	20,715.24	19,383.73	1,331.51
Justice Center	50,000.00	50,000.00	17,974.71	32,025.29	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-

See accompanying independent auditors' report

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
MODIFIED CASH BASIS-BUDGET AND ACTUAL-GENERAL FUND (CONTINUED)
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
Administration of Justice and Law Enforcement:								
Associate Circuit Court	1,000.00	1,000.00	998.70	1.30	1,000.00	1,000.00	979.96	20.04
Associate Circuit Court-Probate	-	-	-	-	-	-	-	-
Circuit Clerk	24,700.00	24,700.00	20,615.67	4,084.33	24,701.69	24,701.69	19,371.97	5,329.72
Court Administrator	7,181.00	7,181.00	2,965.66	4,215.34	6,832.00	6,832.00	4,049.62	2,782.38
Coroner	18,413.32	18,413.32	15,867.01	2,546.31	17,340.00	19,872.65	19,824.38	48.27
Jail	145,965.12	145,965.12	190,374.81	(44,409.69)	170,168.11	170,168.11	166,407.17	3,760.94
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Officer	39,486.53	39,486.53	39,486.53	-	39,042.89	39,042.89	39,042.89	-
Medical Examiner	-	-	-	-	-	-	-	-
Sheriffs Office	262,040.70	262,040.70	262,040.62	0.08	237,783.56	237,783.56	229,587.63	8,195.93
Special Services	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	98,527.12	98,527.12	97,666.48	860.64	98,664.25	98,664.25	96,530.85	2,133.40
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	26,000.00	26,000.00	25,923.91	76.09	26,000.00	26,000.00	25,418.14	581.86
	<u>623,313.79</u>	<u>623,313.79</u>	<u>655,939.39</u>	<u>(32,625.60)</u>	<u>621,532.50</u>	<u>624,065.15</u>	<u>601,212.61</u>	<u>22,852.54</u>
Total Expenditures	\$ <u>1,522,340.39</u>	<u>1,522,340.39</u>	<u>1,448,755.13</u>	<u>73,585.26</u>	\$ <u>1,700,680.88</u>	<u>1,703,213.53</u>	<u>1,587,473.38</u>	<u>115,740.15</u>

See accompanying independent auditors' report

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS-SPECIAL REVENUE MAJOR FUND-BUDGET AND ACTUAL
ROAD AND BRIDGE FUND UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property tax	117,096.72	117,096.72	124,304.46	7,207.74	108,601.89	108,601.89	110,068.43	1,466.54
Sales tax	430,000.00	430,000.00	453,868.30	23,868.30	425,000.00	425,000.00	434,952.13	9,952.13
Grants, distributions and reimbursements	1,646,483.22	1,646,483.22	670,857.85	(975,625.37)	2,198,428.83	2,198,428.83	1,234,357.94	(964,070.89)
Fees, licenses and permits	77,753.38	77,753.38	62,280.10	(15,473.28)	88,230.00	88,230.00	86,822.05	(1,407.95)
Interest	1,200.00	1,200.00	4,159.75	2,959.75	800.00	800.00	2,592.12	1,792.12
Other	108,223.73	108,223.73	47,038.21	(61,185.52)	76,640.28	76,640.28	54,527.56	(22,112.72)
Total Revenues	2,380,757.05	2,380,757.05	1,362,508.67	(1,018,248.38)	2,897,701.00	2,897,701.00	1,923,320.23	(974,380.77)
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	398,462.73	398,462.73	368,239.76	30,222.97	418,000.00	418,000.00	381,946.15	36,053.85
Employee Benefits	152,913.00	152,913.00	144,315.53	8,597.47	150,650.00	150,650.00	139,507.24	11,142.76
Supplies	264,590.63	264,590.63	258,999.52	5,591.11	252,586.42	252,586.42	262,743.27	(10,156.85)
Insurance	43,600.00	43,600.00	40,674.40	2,925.60	47,000.00	47,000.00	27,213.00	19,787.00
Materials	148,266.16	148,266.16	190,923.08	(42,656.92)	140,732.99	140,732.99	154,998.72	(14,265.73)
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
R&B Construction, repair & maint. Projects	1,168,713.92	1,168,713.92	168,734.15	999,979.77	1,659,916.83	1,659,916.83	757,644.17	902,272.66
Other Expenses	144,198.34	144,198.34	120,936.47	23,261.87	161,693.58	161,693.58	163,273.33	(1,579.75)
Capital Outlay:								
Property, Equipment & Buildings	10,000.00	10,000.00	15,255.00	(5,255.00)	20,000.00	20,000.00	20,000.00	-
Total Expenditures	2,330,744.78	2,330,744.78	1,308,077.91	1,022,666.87	2,850,579.82	2,850,579.82	1,907,325.88	943,253.94
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,012.27	50,012.27	54,430.76	4,418.49	47,121.18	47,121.18	15,994.35	(31,126.83)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	66,532.73	66,532.73	-	-	31,468.69	31,468.69
Transfers out	(107,611.67)	(107,611.67)	(71,436.53)	36,175.14	(144,885.05)	(144,885.05)	(97,727.51)	47,157.54
Debt Service	-	-	-	-	(10,100.00)	(10,100.00)	-	10,100.00
Total Other Financing Sources (Uses)	(107,611.67)	(107,611.67)	(4,903.80)	102,707.87	(154,985.05)	(154,985.05)	(66,258.82)	88,726.23
NET CHANGE IN FUND BALANCE	(57,599.40)	(57,599.40)	49,526.96	107,126.36	(107,863.87)	(107,863.87)	(50,264.47)	57,599.40
FUND BALANCE - BEGINNING OF YEAR	57,599.40	57,599.40	57,599.40	-	107,863.87	107,863.87	107,863.87	-
FUND BALANCE - END OF YEAR	0.00	0.00	107,126.36	107,126.36	(0.00)	(0.00)	57,599.40	57,599.40

See accompanying independent auditors' report

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS-SPECIAL REVENUE MAJOR FUND-BUDGET AND ACTUAL
RECORDER'S USERS FEES FUND
UNAUDITED
FOR THE YEARS ENDED
DECEMBER 31, 2007

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	10,000.00	10,000.00	9,911.50	(88.50)
Interest	-	-	-	-	500.00	500.00	726.81	226.81
Other	-	-	-	-	5,400.00	5,400.00	4,975.00	(425.00)
Total Revenues	-	-	-	-	15,900.00	15,900.00	15,613.31	(286.69)
EXPENDITURES:								
Current:								
General County Government	-	-	-	-	20,556.28	5,464.23	5,464.23	-
Maintenance of Roads:								
Salaries	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
R&B Construction, repair & maint. Projects	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	20,556.28	5,464.23	5,464.23	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	(4,656.28)	10,435.77	10,149.08	(286.69)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(15,466.25)	(22,956.56)	(22,956.56)	-
Debt Service	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	(15,466.25)	(22,956.56)	(22,956.56)	-
NET CHANGE IN FUND BALANCE	-	-	-	-	(20,122.53)	(12,520.79)	(12,807.48)	(286.69)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	35,637.26	35,637.26	35,637.26	-
FUND BALANCE - END OF YEAR	-	-	-	-	15,514.73	23,116.47	22,829.78	(286.69)

See accompanying independent auditors' report

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

6. Budgets are prepared and adopted on the modified cash basis of accounting.
7. The County deficit budgeted in both the General and Road & Bridge Funds for 2006 and for the General Fund for 2007.

SUPPLEMENTARY INFORMATION

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Fund	Pros. Att. Training Fund	Landfill Fund	Forest Reserve Title III	PWSD #2,#3,#4 Fund	Recorder's Users Fund	Special Check Fund	Sheriff's Civil Fund	Special Law Enforcement Fund	Unclaimed Fees Fund	Special Trust Fund	Law Enforcement Restitution Fund	Drug Court Judge Fund
ASSETS														
Cash and Cash Equivalents	15,363.95	251.14	639.20	-	-	-	8,727.72	18,321.78	16.38	1,768.84	3,915.96	672.93	1,099.38	34,748.19
Investments	-	-	-	10,473.82	-	-	16,281.05	-	-	-	-	-	-	-
TOTAL ASSETS	<u>15,363.95</u>	<u>251.14</u>	<u>639.20</u>	<u>10,473.82</u>	<u>-</u>	<u>-</u>	<u>25,008.77</u>	<u>18,321.78</u>	<u>16.38</u>	<u>1,768.84</u>	<u>3,915.96</u>	<u>672.93</u>	<u>1,099.38</u>	<u>34,748.19</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>15,363.95</u>	<u>251.14</u>	<u>639.20</u>	<u>10,473.82</u>	<u>-</u>	<u>-</u>	<u>25,008.77</u>	<u>18,321.78</u>	<u>16.38</u>	<u>1,768.84</u>	<u>3,915.96</u>	<u>672.93</u>	<u>1,099.38</u>	<u>34,748.19</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>15,363.95</u>	<u>251.14</u>	<u>639.20</u>	<u>10,473.82</u>	<u>-</u>	<u>-</u>	<u>25,008.77</u>	<u>18,321.78</u>	<u>16.38</u>	<u>1,768.84</u>	<u>3,915.96</u>	<u>672.93</u>	<u>1,099.38</u>	<u>34,748.19</u>

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	F.I.T. Fund	Flood Control Fund	Law Library Fund	Sheriff's Donation Fund	CERF Fund	Corp Trail Grant Fund	Court Recorder Syst. Fund	Fines Fund	Forest Reserve Fund	Del. Tax Coll. Fund	Revolving Fund	Total
ASSETS												
Cash and Cash Equivalents	1,918.52	-	18.63	32.09	2,964.66	-	1,201.97	124,604.85	-	984.22	43.35	217,293.76
Investments	-	-	-	-	-	-	-	-	-	-	-	26,754.87
TOTAL ASSETS	<u>1,918.52</u>	<u>-</u>	<u>18.63</u>	<u>32.09</u>	<u>2,964.66</u>	<u>-</u>	<u>1,201.97</u>	<u>124,604.85</u>	<u>-</u>	<u>984.22</u>	<u>43.35</u>	<u>244,048.63</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>1,918.52</u>	<u>-</u>	<u>18.63</u>	<u>32.09</u>	<u>2,964.66</u>	<u>-</u>	<u>1,201.97</u>	<u>124,604.85</u>	<u>-</u>	<u>984.22</u>	<u>43.35</u>	<u>244,048.63</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,918.52</u>	<u>-</u>	<u>18.63</u>	<u>32.09</u>	<u>2,964.66</u>	<u>-</u>	<u>1,201.97</u>	<u>124,604.85</u>	<u>-</u>	<u>984.22</u>	<u>43.35</u>	<u>244,048.63</u>

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Fund	Pros. Att. Training Fund	Landfill Fund	Forest Reserve Title III	PWSD #2,#3,#4 Fund	Recorder's Users Fund	Special Check Fund	Sheriff's Civil Fund	Special Law Enforcement	Unclaimed Fees Fund	Special Trust Fund	Law Enforcement Restitution Fund
REVENUES:													
Property taxes													
Sales tax													
Grants, distributions and reimbursements	81,754.36	5,039.66	-	-	32,793.38	-	-	-	-	-	-	-	-
Fees, licenses and permits	4,364.81	-	-	-	-	-	9,702.75	25,029.05	27,419.05	36,254.54	1,215.92	-	54,231.76
Interest	-	-	-	497.33	-	-	1,059.31	-	-	-	-	-	-
Other	58,436.64	-	839.58	-	-	-	5,400.00	-	-	-	-	613.72	114.11
Total Revenues	144,555.81	5,039.66	839.58	497.33	32,793.38	-	16,162.06	25,029.05	27,419.05	36,254.54	1,215.92	613.72	54,345.87
EXPENDITURES													
Current:													
General county government	-	-	-	-	32,793.38	-	8,983.07	14,774.14	-	-	-	-	-
Property valuation and recording	168,248.87	-	-	-	-	-	-	-	-	-	-	-	-
Administration of justice and law enforcement	-	6,408.72	447.03	-	-	-	-	-	-	35,965.41	-	-	55,053.44
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Park maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	6.00	-	-	752.91	-	-
Capital Outlay:													
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	27,493.87	-	-	-	-
Total Expenditures	168,248.87	6,408.72	447.03	-	32,793.38	-	8,983.07	14,780.14	27,493.87	35,965.41	752.91	-	55,053.44
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,693.06)	(1,369.06)	392.55	497.33	-	-	7,178.99	10,248.91	(74.82)	289.13	463.01	613.72	(707.57)
OTHER FINANCING SOURCES (USES):													
Transfers in	27,864.09	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(5,000.00)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	27,864.09	-	-	-	-	-	(5,000.00)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	4,171.03	(1,369.06)	392.55	497.33	-	-	2,178.99	10,248.91	(74.82)	289.13	463.01	613.72	(707.57)
FUND BALANCES - BEGINNING OF YEAR	11,192.92	1,620.20	246.65	9,976.49	-	-	22,829.78	8,072.87	91.20	1,479.71	3,452.95	59.21	1,806.95
FUND BALANCES - END OF YEAR	15,363.95	251.14	639.20	10,473.82	-	-	25,008.77	18,321.78	16.38	1,768.84	3,915.96	672.93	1,099.38

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Drug Court Judge Fund	F.I.T. Fund	Flood Control Fund	Law Library Fund	Sheriff's Donation Fund	CERF Fund	Corp Trail Grant Fund	Court Recorder Syst. Fund	Fines Fund	Forest Reserve Fund	Del. Tax Coll. Fund	Revolving Fund	Total
REVENUES:													
Property taxes													-
Sales tax													-
Grants, distributions and reimbursements	67,771.27	-	-	-	-	92,065.76	-	-	-	266,130.94	-	-	545,555.37
Fees, licenses and permits	8,616.50	-	-	-	13,589.96	-	-	-	124,604.85	-	-	5,231.36	310,260.55
Interest	963.60	-	-	-	-	-	-	-	-	-	-	-	2,520.24
Other	17,115.33	2,182.71	-	7,722.44	-	-	-	87.86	-	-	590.54	-	93,102.93
Total Revenues	94,466.70	2,182.71	-	7,722.44	13,589.96	92,065.76	-	87.86	124,604.85	266,130.94	590.54	5,231.36	951,439.09
EXPENDITURES													-
Current:													-
General county government	-	-	21,985.31	-	-	94,296.43	-	-	-	199,598.21	-	-	372,430.54
Property valuation and recording	-	-	-	-	-	-	-	-	-	-	-	-	168,248.87
Administration of justice and law enforcement	85,665.12	-	-	9,257.93	-	-	-	-	-	-	-	-	192,797.65
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	-	766.74	-	-	-	-	-	-	-	-	-	766.74
Park maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	6,818.54	-	-	-	-	-	-	-	-	-	-	7,577.45
Capital Outlay:													-
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	14,572.66	-	-	-	-	-	-	2,427.04	44,493.57
Total Expenditures	85,665.12	6,818.54	22,752.05	9,257.93	14,572.66	94,296.43	-	-	-	199,598.21	-	2,427.04	786,314.82
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,801.58	(4,635.83)	(22,752.05)	(1,535.49)	(982.70)	(2,230.67)	-	87.86	124,604.85	66,532.73	590.54	2,804.32	165,124.27
OTHER FINANCING SOURCES (USES):													-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	27,864.09
Transfers out	-	-	-	-	-	-	-	-	-	(66,532.73)	-	(2,854.16)	(74,386.89)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	(66,532.73)	-	(2,854.16)	(46,522.80)
NET CHANGE IN FUND BALANCES	8,801.58	(4,635.83)	(22,752.05)	(1,535.49)	(982.70)	(2,230.67)	-	87.86	124,604.85	-	590.54	(49.84)	118,601.47
FUND BALANCES - BEGINNING OF YEAR	25,946.61	6,554.35	22,752.05	1,554.12	1,014.79	5,195.33	-	1,114.11	-	-	393.68	93.19	125,447.16
FUND BALANCES - END OF YEAR	34,748.19	1,918.52	-	18.63	32.09	2,964.66	-	1,201.97	124,604.85	-	984.22	43.35	244,048.63

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Fund	Pros. Att. Training Fund	Landfill Fund	National Forest Reserve Title III	PWSD #2,#3,#4 Fund	Special Trust Fund	Special Check Fund	Sheriff's Civil Fund	Flood Control Fund	Special Law Enforcement Fund	Unclaimed Fees Fund	Law Enforcement Restitution Fund	Drug Court Judge Fund
ASSETS														
Cash and Cash Equivalents	11,192.92	1,620.20	246.65	-	-	-	59.21	8,072.87	91.20	22,752.05	1,479.71	3,452.95	1,806.95	25,946.61
Investments	-	-	-	9,976.49	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>11,192.92</u>	<u>1,620.20</u>	<u>246.65</u>	<u>9,976.49</u>	<u>-</u>	<u>-</u>	<u>59.21</u>	<u>8,072.87</u>	<u>91.20</u>	<u>22,752.05</u>	<u>1,479.71</u>	<u>3,452.95</u>	<u>1,806.95</u>	<u>25,946.61</u>
LIABILITIES AND FUND BALANCES														
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>11,192.92</u>	<u>1,620.20</u>	<u>246.65</u>	<u>9,976.49</u>	<u>-</u>	<u>-</u>	<u>59.21</u>	<u>8,072.87</u>	<u>91.20</u>	<u>22,752.05</u>	<u>1,479.71</u>	<u>3,452.95</u>	<u>1,806.95</u>	<u>25,946.61</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>11,192.92</u>	<u>1,620.20</u>	<u>246.65</u>	<u>9,976.49</u>	<u>-</u>	<u>-</u>	<u>59.21</u>	<u>8,072.87</u>	<u>91.20</u>	<u>22,752.05</u>	<u>1,479.71</u>	<u>3,452.95</u>	<u>1,806.95</u>	<u>25,946.61</u>

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2006

	Law Library Fund	Sheriff's Donation Fund	CERF Fund	Corp Trail Grant Fund	Court Recorder Syst. Fund	Fines Fund	Forest Reserve Fund	Del. Tax Coll. Fund	Revolving Fund	F.I.T. Fund	Total
ASSETS											
Cash and Cash Equivalents	1,554.12	1,014.79	5,195.33	-	1,114.11	-	-	393.68	93.19	6,554.35	92,640.89
Investments	-	-	-	-	-	-	-	-	-	-	9,976.49
TOTAL ASSETS	<u>1,554.12</u>	<u>1,014.79</u>	<u>5,195.33</u>	<u>-</u>	<u>1,114.11</u>	<u>-</u>	<u>-</u>	<u>393.68</u>	<u>93.19</u>	<u>6,554.35</u>	<u>102,617.38</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>1,554.12</u>	<u>1,014.79</u>	<u>5,195.33</u>	<u>-</u>	<u>1,114.11</u>	<u>-</u>	<u>-</u>	<u>393.68</u>	<u>93.19</u>	<u>6,554.35</u>	<u>102,617.38</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,554.12</u>	<u>1,014.79</u>	<u>5,195.33</u>	<u>-</u>	<u>1,114.11</u>	<u>-</u>	<u>-</u>	<u>393.68</u>	<u>93.19</u>	<u>6,554.35</u>	<u>102,617.38</u>

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Fund	Pros. Att. Training Fund	Landfill Fund	National Forest Reserve Title III	PWSD #2,#3,#4	Special Trust Fund	Special Check Fund	Sheriff's Civil Fund	Flood Control Fund	Special Law Enforcement Fund	Unclaimed Fees Fund	Law Enforcement Restitution
REVENUES:													
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	78,996.17	-	-	-	32,468.69	226,150.00	-	-	-	47,440.30	-	-	-
Fees, licenses and permits	5,366.53	5,516.61	947.52	-	-	-	-	21,682.39	18,734.92	-	22,338.22	378.44	44,375.95
Interest	-	-	-	366.68	-	-	-	-	-	-	-	-	121.89
Other	51,689.57	-	-	-	-	-	914.46	-	-	-	-	-	-
Total Revenues	136,052.27	5,516.61	947.52	366.68	32,468.69	226,150.00	914.46	21,682.39	18,734.92	47,440.30	22,338.22	378.44	44,497.84
EXPENDITURES													
Current:													
General county government	162,162.68	-	-	-	-	226,400.00	-	-	-	24,294.75	-	586.66	-
Property valuation and recording	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration of justice and law enforcement	-	5,539.82	1,526.97	-	-	-	-	-	21,316.02	-	21,709.44	-	43,994.75
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	-	-	-	-	-	-	-	-	751.39	-	-	-
Park maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1,675.00	14,804.76	-	-	-	-	-
Capital Outlay:													
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	162,162.68	5,539.82	1,526.97	-	-	226,400.00	1,675.00	14,804.76	21,316.02	25,046.14	21,709.44	586.66	43,994.75
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,110.41)	(23.21)	(579.45)	366.68	32,468.69	(250.00)	(760.54)	6,877.63	(2,581.10)	22,394.16	628.78	(208.22)	503.09
OTHER FINANCING SOURCES (USES):													
Transfers in	9,210.03	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(32,468.69)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	9,210.03	-	-	-	(32,468.69)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(16,900.38)	(23.21)	(579.45)	366.68	-	(250.00)	(760.54)	6,877.63	(2,581.10)	22,394.16	628.78	(208.22)	503.09
FUND BALANCES - BEGINNING OF YEAR	28,093.30	1,643.41	826.10	9,609.81	-	250.00	819.75	1,195.24	2,672.30	357.89	850.93	3,661.17	1,303.86
FUND BALANCES - END OF YEAR	11,192.92	1,620.20	246.65	9,976.49	-	-	59.21	8,072.87	91.20	22,752.05	1,479.71	3,452.95	1,806.95

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Drug Court Judge Fund	Law Library Fund	Sheriff's Donation Fund	CERF Fund	Corp Trail Grant Fund	Court Recorder Sys. Fund	Fines Fund	Forest Reserve Fund	Del. Tax Coll. Fund	Revolving Fund	F.I.T. Fund	Total
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	7,628.25	-	-	87,463.01	94,713.11	-	-	153,761.13	-	-	-	728,620.66
Fees, licenses and permits	8,247.00	6,849.97	-	-	-	-	154,442.26	-	-	-	-	288,879.81
Interest	582.15	-	-	-	-	12.83	-	-	-	-	-	1,083.55
Other	24,349.73	-	3,282.89	-	-	-	-	-	120.00	1,444.72	6,660.38	88,461.75
Total Revenues	40,807.13	6,849.97	3,282.89	87,463.01	94,713.11	12.83	154,442.26	153,761.13	120.00	1,444.72	6,660.38	1,107,045.77
												-
EXPENDITURES												-
Current:												-
General county government	-	-	-	88,057.88	-	-	156,016.26	153,761.13	-	-	-	811,279.36
Property valuation and recording	-	-	-	-	-	-	-	-	-	-	-	-
Administration of justice and law enforcement	30,929.59	9,427.52	-	-	-	-	-	-	-	-	-	134,444.11
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance of roads	-	-	-	-	-	-	-	-	-	-	-	751.39
Park maintenance	-	-	-	-	96,774.31	-	-	-	-	-	-	96,774.31
Other	-	-	2,722.15	-	-	-	-	-	-	2,364.23	106.13	21,672.27
Capital Outlay:												-
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	30,929.59	9,427.52	2,722.15	88,057.88	96,774.31	-	156,016.26	153,761.13	-	2,364.23	106.13	1,064,921.44
												-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,877.54	(2,577.55)	560.74	(594.87)	(2,061.20)	12.83	(1,574.00)	-	120.00	(919.51)	6,554.25	42,124.33
												-
OTHER FINANCING SOURCES (USES):												-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	9,210.03
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(32,468.69)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	(23,258.66)
												-
NET CHANGE IN FUND BALANCES	9,877.54	(2,577.55)	560.74	(594.87)	(2,061.20)	12.83	(1,574.00)	-	120.00	(919.51)	6,554.25	18,865.67
												-
FUND BALANCES - BEGINNING OF YEAR	16,069.07	4,131.67	454.05	5,790.20	2,061.20	1,101.28	1,574.00	-	273.68	1,012.70	0.10	83,751.71
												-
FUND BALANCES - END OF YEAR	25,946.61	1,554.12	1,014.79	5,195.33	-	1,114.11	-	-	393.68	93.19	6,554.35	102,617.38

The County of Wayne, Missouri
(the Primary Government)
Combining Statement of Fiduciary Net Assets - Modified Cash Basis
December 31, 2007

	<u>Circuit Clerk</u>	<u>Recorder</u>	<u>Collector's Account</u>	<u>Sheriff's Account</u>	<u>Circuit Court</u>	<u>Bike/Hike Trail Fund</u>	<u>Surplus Tax</u>	<u>Clerk's Account</u>	<u>Total</u>
ASSETS									
Cash and Cash Equivalents	57,212.58	-	3,491,089.40	14,547.97	660.09	-	39,895.86	2,060.67	3,605,466.57
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,123.58</u>	<u>-</u>	<u>47,123.58</u>
TOTAL ASSETS	<u>57,212.58</u>	<u>-</u>	<u>3,491,089.40</u>	<u>14,547.97</u>	<u>660.09</u>	<u>-</u>	<u>87,019.44</u>	<u>2,060.67</u>	<u>3,652,590.15</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>57,212.58</u>	<u>-</u>	<u>3,491,089.40</u>	<u>14,547.97</u>	<u>660.09</u>	<u>-</u>	<u>87,019.44</u>	<u>2,060.67</u>	<u>3,652,590.15</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>57,212.58</u>	<u>-</u>	<u>3,491,089.40</u>	<u>14,547.97</u>	<u>660.09</u>	<u>-</u>	<u>87,019.44</u>	<u>2,060.67</u>	<u>3,652,590.15</u>

The County of Wayne, Missouri
(the Primary Government)
Combining Statement of Fiduciary Net Assets - Modified Cash Basis
December 31, 2006

	Circuit Clerk	Recorder	Collector's Account	Sheriff's Account	Circuit Court	Bike/Hike Trail Fund	Surplus Tax	Clerk's Account	Total
ASSETS									
Cash and Cash Equivalents	33,230.43	363.00	3,605,418.19	21,594.83	1,686.00	-	40,182.77	27,187.15	3,729,662.37
Investments	-	-	-	-	-	-	44,879.57	-	44,879.57
TOTAL ASSETS	<u>33,230.43</u>	<u>363.00</u>	<u>3,605,418.19</u>	<u>21,594.83</u>	<u>1,686.00</u>	<u>-</u>	<u>85,062.34</u>	<u>27,187.15</u>	<u>3,774,541.94</u>
LIABILITIES AND FUND BALANCES									
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>33,230.43</u>	<u>363.00</u>	<u>3,605,418.19</u>	<u>21,594.83</u>	<u>1,686.00</u>	<u>-</u>	<u>85,062.34</u>	<u>27,187.15</u>	<u>3,774,541.94</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>33,230.43</u>	<u>363.00</u>	<u>3,605,418.19</u>	<u>21,594.83</u>	<u>1,686.00</u>	<u>-</u>	<u>85,062.34</u>	<u>27,187.15</u>	<u>3,774,541.94</u>

STATE COMPLIANCE SECTION

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

I. Chapter 50 RSMo (Budget Statute)

There were no findings for 2006 or 2007.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Wayne, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Wayne, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2006 and December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated August 29, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, 06/07-03, 06/07-04 and 06/07-05 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated August 29, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 29, 2008

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

1. FINANCIAL STATEMENT FINDINGS

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement. The County was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards. The County is in the process of implementing the SAS 112 requirement.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

1. FINANCIAL STATEMENT FINDINGS (continued)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The County was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards. The County is in the process of implementing the SAS 112 requirement.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments. The County is in the process of implementing the SAS 112 requirement.

06/07-04

Criteria: The recorder did not deposit \$986 from 2007 until March 2008.

THE COUNTY OF WAYNE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

1. FINANCIAL STATEMENT FINDINGS (concluded)

Condition: During our audit we noted that the deposit was not made in 2007.

Effect: The deposit was outstanding for three months.

Cause: The deposit was mixed in with other items.

Recommendation: We recommend that the deposits be kept in a separate area so this does not occur again.

Management Response: The recorder will keep deposits in a separate place.

06/07-05

Criteria: Interest that should have been included in the December 2006 bank reconciliation was not recorded until January 2007.

Condition: During our audit we noted that the interest was not included until January 2007.

Effect: The account balances are not accurate for December 2006.

Cause: The old Treasurer left office on December 31 and closed the books before the information on interest was available. When the new Treasurer came into office she recorded the interest.

Recommendation: We recommend that the books should not be closed until all information is available.

Management Response: The interest was recorded as soon as the information became available. All interest has been recorded correctly going forward from December 2006.

2. FOLLOW-UP PRIOR YEAR FINDINGS

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.

**THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006**

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Wayne
Greenville, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Wayne, Greenville, Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Primary Government's basic financial statements, and have issued our modified cash basis report thereon dated August 29, 2008. Our report was modified because the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies FS 06/07-01, FS 06/07-02, FS 06/07-03, FS 06/07-04 and FS 06/07-05, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Wayne County, Missouri in a separate letter dated August 29, 2008.

Wayne County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Wayne County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, other audit agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 29, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Wayne
Greenville, Missouri

Compliance

We have audited the compliance of Wayne County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and December 31, 2006. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Primary Government as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 29, 2008

THE COUNTY OF WAYNE
(the Primary Government)
GREENVILLE, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	12/31/2007	12/31/2006
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
10.550	Department of Social Services - Food Donation		-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
14.228	Department of Economic Development - Community Development Block Grants/State's Program		-	226,400.00
14.231	Department of Social Services - Emergency Shelter Grants Program		8,155.00	8,100.00
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
16.575	State Department of Public Safety - Crime Victim Assistance		-	-
16.579	Byrne Formula Grant Program		-	-
16.592	Local Law Enforcement Block Grants Program		-	-
16.580	Cape Girardeau County - Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		-	-
16	Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program		-	-
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO - 111(5)	166,586.04	597,492.67
20.600	State and Community Highway Safety	BRO- 111(6)	148.50	8,622.66
20.703	Department of Public Safety - Interagency Hazardous Materials Public Sector Training and Planning Grants		-	3,669.00
GENERAL SERVICES ADMINISTRATION				
39.003	Passed through state Office of Administration - Donation of Federal Surplus Personal Property		-	-
39.011	Passed through the Office of Secretary of State - Election Reform Payments		-	1,465.89
ELECTION ASSISTANCE COMMISSION				
90.401	Passed through the Office of Secretary of State - Help America Vote Act Requirements Payments	Title I Sec 101 Title II Sec 251 Title II Sec 251 SC231	8,717.14 2,035.61 - -	6,162.98 28.48 190,850.00
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.036 *	Public Assistance Grants		-	-
97.042 *	Emergency Management Performance Grants		-	-
97.067 *	Homeland Security Grant Program		41,846.00	10,871.00
97.051 *	State and Local All Hazards Emergency Operations Planning		-	3,700.00
Total Expenditures of Federal Awards			<u>\$ 227,488.29</u>	<u>\$ 1,057,362.68</u>

THE COUNTY OF WAYNE
(the Primary Government)
GREENVILLE, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor and Program Title
GRANTS AWARDED FOR WHICH THERE WERE NO REVENUES OR EXPENDITURES DURING THE YEAR	
Total Grants Awarded for which there were no Revenues or Expenditures during the Year	
\$ 0.00	

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

1. Type of auditor's report issued: Unqualified Modified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that
are not considered to be material
weaknesses? 2007 ☒ Yes ☐ None Reported
2006 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial
statements noted? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

B. FEDERAL AWARDS

1. Internal control over major programs:
Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
2. Any significant deficiencies identified that are
not considered to be material weaknesses? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
3. Type of auditor's report issued on
compliance for major programs: 2007 Unqualified
2006 Unqualified
4. Any audit findings disclosed that are
required to be reported in accordance with
section 510 (a) of Circular A-133? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

I. SUMMARY OF AUDITOR'S RESULTS (continued)

5. Identification of major programs:

6. Dollar threshold used to distinguish between type A and type B programs:
\$ 300,000

10

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS

A. FS 06/07-01

1. CRITERIA

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

2. CONDITION

During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

3. EFFECT

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

5. RECOMMENDATION

Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

6. MANAGEMENT'S RESPONSE

The County is in the process of implementing this requirement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

B. FS 06/07-02

1. CRITERIA

Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

2. CONDITION

Documentation of the County's internal controls has not been prepared.

3. EFFECT

The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

5. RECOMMENDATION

We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

6. MANAGEMENT'S RESPONSE

The County is in the process of implementing this requirement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

C. FS 06/07-03

1. CRITERIA

Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

2. CONDITION

During our audit, we noted there is no formal fraud risk assessment in place.

3. EFFECT

Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

4. CAUSE

Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

5. RECOMMENDATION

We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

6. MANAGEMENT'S RESPONSE

The County is in the process of implementing this requirement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

D. FS 06/07-04

1. CRITERIA

The recorder did not deposit \$986 from 2007 until March 2008.

2. CONDITION

During our audit we noted that the deposit was not made in 2007.

3. EFFECT

The deposit was outstanding for three months.

4. CAUSE

The deposit was mixed in with other items.

5. RECOMMENDATION

We recommend that the deposits be kept in a separate area, so this does not occur again.

6. MANAGEMENT'S RESPONSE

The recorder will keep deposits in a separate place.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (concluded)

E. FS 06/07-05

1. CRITERIA

Interest that should have been included in the December 2006 bank reconciliation was not recorded until January 2007.

2. CONDITION

During our audit we noted that the interest was not included until January 2007.

3. EFFECT

The account balances are not accurate for December 2006.

4. CAUSE

The old Treasurer left office on December 31, and closed the books before the information on interest was available. When the new Treasurer came into office, she recorded the interest.

5. RECOMMENDATION

We recommend that the books should not be closed until all information is available.

6. MANAGEMENT'S RESPONSE

The interest was recorded as soon as the information became available. All interest has been recorded correctly going forward from December 2006.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs related to *Government Auditing Standards* for an audit of financial statements.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 & 2007

The following findings, recommendations, and questioned costs are the results of the single audit of Wayne County, Missouri for the fiscal year ended December 31, 2006 and 2007. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. CATEGORY OF INTERNAL CONTROL WEAKNESS

If the finding represents a weakness in internal control, one of the following designations will appear:

1. SIGNIFICANT DEFICIENCY

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

2. MATERIAL WEAKNESS

A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. CATEGORY OF NONCOMPLIANCE FINDINGS

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. MATERIAL NONCOMPLIANCE

A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 & 2007 (continued)

B. CATEGORY OF NONCOMPLIANCE FINDINGS (continued)

2. QUESTIONED COST FINDING

A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to Federal Awards in accordance Section .510(a) of OMB Circular A-133.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

There were no prior year findings and questioned costs related to Federal Awards in accordance with Section 510(a) of OMB Circular A-133.



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 29, 2008

To the County Commissioners
Wayne County, Missouri

In planning and performing our audit of the basic financial statements of Wayne County, Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

F/S 06/07-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards. The County is in the process of implementing the SAS 112 requirement.

F/S 06/07-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)

F/S 06/07-02 (continued)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards. The County is in the process of implementing the SAS 112 requirement.

F/S 06/07-03 **Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments. The County is in the process of implementing the SAS 112 requirement.

F/S 06/07-04 **Criteria:** The recorder did not deposit \$986 from 2007 until March 2008.

Condition: During our audit we noted that the deposit was not made in 2007.

Effect: The deposit was outstanding for three months.

Cause: The deposit was mixed in with other items.

Recommendation: We recommend that the deposits be kept in a separate area so this does not occur again.

Management Response: The recorder will keep deposits in a separate place.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)

F/S 06/07-05 **Criteria:** Interest that should have been included in the December 2006 bank reconciliation was not recorded until January 2007.

Condition: During our audit we noted that the interest was not included until January 2007.

Effect: The account balances are not accurate for December 2006.

Cause: The old Treasurer left office on December 31 and closed the books before the information on interest was available. When the new Treasurer came into office she recorded the interest.

Recommendation: We recommend that the books should not be closed until all information is available.

Management Response: The interest was recorded as soon as the information became available. All interest has been recorded correctly going forward from December 2006.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- A. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- B. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- C. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Wayne County, Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Wayne County, Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wayne County, Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

WAYNE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2007 & 2006

WAYNE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY, MISSOURI)
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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Wayne County Senate Bill 40 of Missouri, a component unit of Wayne County, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Wayne County Senate Bill 40's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Wayne County Senate Bill 40 of Missouri as of December 31, 2007 and December 31, 2006, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2008, on our consideration of the Wayne County Senate Bill 40 of Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, the budgetary comparisons on pages 11 and 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and , in our opinion, are fairly stated in al material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 29, 2008



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Wayne County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Wayne County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated August 29, 2008, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne County Senate Bill 40 of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, and 06/07-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of Wayne County Senate Bill 40 of Missouri in a separate report dated August 29, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

August 29, 2008

BASIC FINANCIAL STATEMENTS

WAYNE COUNT SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 24,178.61	\$ 1,256.85
Cash equivalent	21,402.93	20,451.25
Total Assets	<u>45,581.54</u>	<u>21,708.10</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Unrestricted	\$ 45,581.54	\$ 21,708.10
Total Net Assets	<u>45,581.54</u>	<u>21,708.10</u>
Total Liabilities and Net Assets	<u>45,581.54</u>	<u>21,708.10</u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Property Tax Revenues	\$ 89,167.46	\$ 78,756.74
	<u>89,167.46</u>	<u>78,756.74</u>
TOTAL REVENUES	89,167.46	78,756.74
EXPENSES		
Senior Services Expenses	66,421.44	79,667.98
Other Expenses	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>66,421.44</u>	<u>79,667.98</u>
REVENUES COLLECTED OVER (UNDER) EXPENSES	22,746.02	(911.24)
OTHER FINANCING SOURCES (USES)		
Interest	175.74	98.39
Miscellaneous	0.00	0.00
Rents	0.00	0.00
Donations	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>175.74</u>	<u>98.39</u>
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENSES PAID AND OTHER USES	22,921.76	(812.85)
NET ASSETS - BEGINNING OF YEAR	<u>1,256.85</u>	<u>2,069.70</u>
NET ASSETS - END OF YEAR	\$ <u><u>24,178.61</u></u>	\$ <u><u>1,256.85</u></u>

The notes to the financial statements are an integral part of this statement.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wayne County Senate Bill 40 ("SB 40"), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Wayne County Senate Bill 40 is a component unit of Wayne County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Net Assets and Statement of Revenue, Expenses and Changes in Net Assets combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2007 and December 31, 2006. At December 31, 2007, the carrying amount of the District's deposits was \$ 45,581.54 with respective bank balances totaling \$ 45,581.54. At December 31, 2006, the carrying amount of the District's deposits was \$21,708.10 with respective bank balances totaling \$21,708.10. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for each year.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2007 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	45,581.54
Total Deposits		\$ <u>45,581.54</u>

The Deposits held at December 31, 2006 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2006		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	\$ 21,708.10
Total Deposits		\$ <u>21,708.10</u>

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was \$114,967,793 and \$106,990,562 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was .0800 and .0800 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2007 or December 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BUDGET BASIS TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original And Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Property Tax Revenues	\$ 85,000.00	78,756.74	\$ (6,243.26)
TOTAL REVENUES	<u>85,000.00</u>	<u>78,756.74</u>	<u>(6,243.26)</u>
EXPENSES			
Senior Services Expenses	60,274.02	79,667.98	19,393.96
Other Expenses	0.00	0.00	0.00
TOTAL EXPENSES	<u>60,274.02</u>	<u>79,667.98</u>	<u>19,393.96</u>
REVENUES COLLECTED OVER (UNDER) EXPENSES	24,725.98	(911.24)	(25,637.22)
OTHER FINANCING SOURCES (USES)			
Interest	400.00	98.39	(301.61)
Miscellaneous	0.00	0.00	0.00
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>400.00</u>	<u>98.39</u>	<u>(301.61)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENSES PAID AND OTHER USES	25,125.98	(812.85)	(25,938.83)
NET ASSETS BEGINNING OF YEAR	<u>2,069.70</u>	<u>2,069.70</u>	<u>-</u>
NET ASSETS END OF YEAR	<u>\$ 27,195.68</u>	<u>\$ 1,256.85</u>	<u>\$ (25,938.83)</u>

WAYNE COUNTY SENATE BILL 40
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BUDGET BASIS TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 80,000.00	\$ 89,167.46	\$ 9,167.46
TOTAL REVENUES	<u>80,000.00</u>	<u>89,167.46</u>	<u>9,167.46</u>
EXPENSES			
Senior Services Expenses	74,850.00	66,421.44	(8,428.56)
Other Expenses	0.00	0.00	0.00
TOTAL EXPENSES	<u>74,850.00</u>	<u>66,421.44</u>	<u>(8,428.56)</u>
REVENUES COLLECTED OVER (UNDER) EXPENSES	5,150.00	22,746.02	17,596.02
OTHER FINANCING SOURCES (USES)			
Interest	500.00	175.74	(324.26)
Miscellaneous	0.00	0.00	
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	<u>500.00</u>	<u>175.74</u>	<u>(324.26)</u>
REVENUES COLLECTED AND OTHER SOURCES OVER EXPENSES PAID AND OTHER USES	5,650.00	22,921.76	17,271.76
NET ASSETS BEGINNING OF YEAR	<u>1,256.85</u>	<u>1,256.85</u>	<u>-</u>
NET ASSETS END OF YEAR	<u>\$ 6,906.85</u>	<u>\$ 24,178.61</u>	<u>\$ 17,271.76</u>

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Accounting

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the District adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

At December 31, 2006, actual expenses exceeded budgeted expenses; however, there was a sufficient beginning fund balance.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

WAYNE COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF WAYNE COUNTY MISSOURI)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 will consider the auditors' recommendation.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 29, 2008

To the Board of Directors
Wayne County Senate Bill 40 of Missouri

In planning and performing our audit of the basic financial statements of Wayne County Senate Bill 40, Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Board's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the region, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the board's annual budget document and annual financial statement. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The Board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of Wayne County Senate Bill 40, Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Wayne County Senate Bill 40, Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wayne County Senate Bill 40, Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Washington County, Missouri

The Office of the State Auditor, in cooperation with Washington County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-89

**THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006**

THE COUNTY OF WASHINGTON, MISSOURI
(the Primary Government)

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THE COUNTY OF WASHINGTON, MISSOURI
(the Primary Government)

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THE COUNTY OF WASHINGTON, MISSOURI
(the Primary Government)

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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Washington, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Washington, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The County of Washington, Missouri does not maintain accounting records sufficient to assure that debt related transactions are recorded. Accordingly, it was not practicable for us to extend our procedures sufficiently to determine that all of the debt records and changes in its worth are recorded in the financial statements referred to above.

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Washington County, the Washington County 911 Board and the Washington County SB40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Washington County Health Department, Washington County 911 Board and the Washington County SB40 Board.

As described in Note I, the basic financial statements of the Primary Government were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The County of Washington has adopted various Governmental Accounting Standards Board Statements as of and for the years ended December 31, 2007 and 2006.

In our opinion, except for the effects of not providing adequate accounting records for debt recording, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Primary Government as of December 31, 2007 and 2006, for the years then ended in conformity with the basis of accounting described in Note I.

The Primary Government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 2008 on our consideration of the Primary Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Cash Basis – Budget and Actual and related notes on pages 26 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The combining and individual non-major funds financial statements on pages 33 through 40 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

August 14, 2008

BASIC FINANCIAL STATEMENTS

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEARS ENDED

	DECEMBER 31, 2007 TOTAL GOVERNMENTAL ACTIVITIES	DECEMBER 31, 2006 TOTAL GOVERNMENTAL ACTIVITIES
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,275,601.98	\$ 2,672,715.69
Investments	<hr/> -	<hr/> -
TOTAL ASSETS	<hr/> <u>3,275,601.98</u>	<hr/> <u>2,672,715.69</u>
 <u>NET ASSETS</u>		
Unrestricted	81,731.13	5,631.53
Restricted	<hr/> 3,193,870.85	<hr/> 2,667,084.16
TOTAL NET ASSETS	<hr/> 3,275,601.98	<hr/> 2,672,715.69
TOTAL FUND BALANCE	<hr/> <u>\$ 3,275,601.98</u>	<hr/> <u>\$ 2,672,715.69</u>

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS GOVERNMENTAL ACTIVITIES:	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 1,114,515.59	\$ 590,757.35	\$ -	\$ -	\$ (523,758.24)
Road & Bridge	2,500,296.81	-	-	-	(2,500,296.81)
Financial Administration	217,703.00	-	-	-	(217,703.00)
Other Offices & Grants	326,611.09	-	-	-	(326,611.09)
Health and Welfare	-	-	-	-	-
Public Safety	1,667,773.65	992.00	83,950.38	-	(1,582,831.27)
Property Valuation and Recording	120,451.00	-	-	-	(120,451.00)
Administration of Justice and					
Law Enforcement	855,000.22	-	-	-	(855,000.22)
Senior Citizens	79,094.75	-	-	-	(79,094.75)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of Roads and Bridges	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,881,446.11	\$ 591,749.35	\$ 83,950.38	\$ -	\$ (6,205,746.38)

GENERAL REVENUES

Taxes:	
Property taxes, levied	\$ 1,191,060.32
Sales tax	3,221,493.75
Other taxes	-
Investment Income:	167,099.11
Sale of Bonds	-
Intergovernmental Revenue	1,503,240.14
Miscellaneous	725,739.35
TOTAL GENERAL REVENUES	\$ 6,808,632.67
CHANGE IN NET ASSETS	602,886.29
NET ASSETS, BEGINNING OF YEAR	2,672,715.69
NET ASSETS, END OF YEAR	\$ 3,275,601.98

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
STATEMENT OF ACTIVITIES -CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES:</u>					
General County Government	\$ 1,793,836.28	\$ 569,813.81	\$ 63,233.04	\$ -	\$ (1,160,789.43)
Road & Bridge	2,154,477.91	-	-	-	(2,154,477.91)
Financial Administration	210,079.24	-	-	-	(210,079.24)
Other Offices & Grants	434,744.09	-	-	-	(434,744.09)
Health and Welfare	-	-	-	-	-
Public Safety	1,608,255.48	5,346.94	175,083.56	-	(1,427,824.98)
Property Valuation and Recording	114,874.19	-	-	-	(114,874.19)
Administration of Justice and					
Law Enforcement	769,481.87				(769,481.87)
Senior Citizens	85,054.50	-	-	-	(85,054.50)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of Roads and Bridges	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 7,170,803.56	\$ 575,160.75	\$ 238,316.60	\$ -	\$ (6,357,326.21)

General Revenues:

Taxes	
Property Taxes, Levied	\$ 1,270,024.69
Sales tax	3,090,766.61
Other taxes	-
Investment income	125,653.47
Intergovernmental Revenues	1,590,978.30
Miscellaneous	827,578.46
TOTAL GENERAL REVENUES	\$ 6,905,001.53
CHANGE IN NET ASSETS	547,675.32
NET ASSETS, BEGINNING OF YEAR	2,125,040.37
NET ASSETS, END OF YEAR	\$ 2,672,715.69

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
BALANCE SHEET - CASH BASIS GOVERNMENTAL FUNDS

	DECEMBER 31, 2007						DECEMBER 31, 2006					
	GENERAL	SPECIAL ROAD AND BRIDGE	SHERIFF'S LAW ENFORCEMENT FUND	ECONOMIC DEVELOPMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	GENERAL	SPECIAL ROAD AND BRIDGE	SHERIFF'S LAW ENFORCEMENT FUND	ECONOMIC DEVELOPMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS												
Cash and Cash Equivalents	\$ 81,731.13	\$ 71,095.13	\$ 802.18	\$ 2,245,104.88	\$ 876,868.66	\$ 3,275,601.98	\$ 5,631.53	\$ 368,175.95	\$ 15,297.00	\$ 1,585,532.31	\$ 698,078.90	\$ 2,672,715.69
Investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 81,731.13	\$ 71,095.13	\$ 802.18	\$ 2,245,104.88	\$ 876,868.66	\$ 3,275,601.98	\$ 5,631.53	\$ 368,175.95	\$ 15,297.00	\$ 1,585,532.31	\$ 698,078.90	\$ 2,672,715.69
FUND BALANCES												
Unreserved:												
General Fund	\$ 81,731.13	-	-	-	-	81,731.13	\$ 5,631.53	-	-	-	-	\$ 5,631.53
Special Revenue Funds	-	71,095.13	802.18	2,245,104.88	876,868.66	3,193,870.85	-	368,175.95	15,297.00	1,585,532.31	698,078.90	2,667,084.16
TOTAL FUND BALANCES	81,731.13	71,095.13	802.18	2,245,104.88	876,868.66	3,275,601.98	5,631.53	368,175.95	15,297.00	1,585,532.31	698,078.90	2,672,715.69
TOTAL FUND BALANCES	\$ 81,731.13	\$ 71,095.13	\$ 802.18	\$ 2,245,104.88	\$ 876,868.66	\$ 3,275,601.98	\$ 5,631.53	\$ 368,175.95	\$ 15,297.00	\$ 1,585,532.31	\$ 698,078.90	\$ 2,672,715.69

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED

	DECEMBER 31, 2007						DECEMBER 31, 2006					
	General	Special Road and Bridge	Sheriff's Law Enforcement Fund	Economic Development Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	Sheriff's Law Enforcement Fund	Economic Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:												
Property tax	322,898.25	580,067.00	-	-	288,095.07	1,191,060.32	470,457.26	512,298.25	-	-	287,269.18	1,270,024.69
Sales tax	946,775.43	758,249.00	758,254	758,215.69	-	3,221,493.75	893,618.14	732,383.26	732,381.74	732,383.47	-	3,090,766.61
Other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	399,496.00	805,445.00	155,217	-	143,082.51	1,503,240.14	213,866.28	955,368.03	-	-	421,743.99	1,590,978.30
Charges for Services	413,442.80	-	992	-	177,314.55	591,749.35	390,739.78	-	5,346.94	-	179,074.03	575,160.75
Grants	68,582.68	-	15,368	-	-	83,950.38	63,233.04	-	23,792.35	-	-	87,025.39
Reimbursements	66,574.43	-	8,253	-	144,380.45	219,207.99	55,016.76	-	3,812.53	-	124,438.39	183,267.68
Fees, licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-
Interest	7,424.55	16,312.00	28	90,953.56	52,380.90	167,099.11	8,618.57	10,689.20	23.44	66,105.32	40,216.94	125,653.47
Contributions	-	-	-	-	-	-	-	-	150,850.21	-	441.00	151,291.21
Sale of Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other	158,916.61	128,393.51	19,516	-	199,705.23	506,531.36	179,113.20	230,180.22	-	-	235,017.36	644,310.78
Total Revenues	2,384,110.75	2,288,466.51	957,627.18	849,169.25	1,004,958.71	7,484,332.40	2,274,663.03	2,440,918.96	916,207.21	798,488.79	1,288,200.89	7,718,478.88
EXPENDITURES:												
Current:												
General county government	455,268.58	-	-	50,000.00	609,247.01	1,114,515.59	538,173.10	-	-	450,000.00	805,663.18	1,793,836.28
Road & Bridge	-	2,500,296.81	-	-	-	2,500,296.81	-	2,085,683.61	-	-	68,794.30	2,154,477.91
Financial Administration	217,703.00	-	-	-	-	217,703.00	210,079.24	-	-	-	-	210,079.24
Other offices & grants	326,611.09	-	-	-	-	326,611.09	434,744.09	-	-	-	-	434,744.09
Public Safety	-	-	1,659,422.00	-	8,351.65	1,667,773.65	-	-	1,599,284.93	-	8,970.55	1,608,255.48
Planning & Zoning	-	-	-	-	-	-	-	-	-	-	-	-
Property Valuation and Recording:	120,451.00	-	-	-	-	120,451.00	114,874.19	-	-	-	-	114,874.19
Administration of Justice and Law	855,000.22	-	-	-	-	855,000.22	769,481.87	-	-	-	-	769,481.87
Senior Citizens	-	-	-	-	79,094.75	79,094.75	-	-	-	-	85,054.50	85,054.50
Capital Outlay:												
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal payments	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,975,033.89	2,500,296.81	1,659,422.00	50,000.00	696,693.41	6,881,446.11	2,067,352.49	2,085,683.61	1,599,284.93	450,000.00	968,482.53	7,170,803.56
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	409,076.86	(211,830.30)	(701,794.82)	799,169.25	308,265.30	602,886.29	207,310.54	355,235.35	(683,077.72)	348,488.79	319,718.36	547,675.32
OTHER FINANCING SOURCES (USES):												
Transfers in	447,522.74	-	687,300.00	-	176,824.85	1,311,647.59	386,967.09	-	697,374.72	-	24,269.54	1,108,611.35
Transfers out	(780,500.00)	(85,250.52)	-	(139,596.68)	(306,300.39)	(1,311,647.59)	(676,084.72)	(80,088.56)	-	(130,777)	(221,660.94)	(1,108,611.35)
Total Other Financing Sources (uses)	(332,977.26)	(85,250.52)	687,300.00	(139,596.68)	(129,475.54)	-	(289,117.63)	(80,088.56)	697,374.72	(130,777.13)	(197,391.40)	-
NET CHANGE IN FUND BALANCE	76,099.60	(297,080.82)	(14,494.82)	659,572.57	178,789.76	602,886.29	(81,807.09)	275,146.79	14,297.00	217,711.66	122,326.96	547,675.32
FUND BALANCE - BEGINNING OF YEAR	5,631.53	368,175.95	15,297.00	1,585,532.31	698,078.90	2,672,715.69	87,438.62	93,029.16	1,000.00	1,367,820.65	575,751.94	2,125,040.37
FUND BALANCE - END OF YEAR	81,731.13	71,095.13	802.18	2,245,104.88	876,868.66	3,275,601.98	5,631.53	368,175.95	15,297.00	1,585,532.31	698,078.90	2,672,715.69

See accompanying notes to the financial statements

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS - FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the
Statement of Activities are different because...

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	\$ 3,275,601.98
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There are no items of reconciliation.

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 3,275,601.98</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
CASH BASIS - FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the
Statement of Activities are different because...

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	\$ 2,672,715.69
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There are no items of reconciliation.

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 2,672,715.69</u>
--	------------------------

See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$ 602,886.29
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There are no items of reconciliation.	<u>-</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 602,886.29</u>
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See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT -WIDE STATEMENT OF ACTIVITIES
CASH BASIS - FOR THE YEAR ENDED DECEMBER 31, 2006

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$ 547,675.32
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There are no items of reconciliation.	<u>-</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 547,675.32</u>
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See accompanying notes to the financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
CASH BASIS - AGENCY FUNDS

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>743,739.81</u>	<u>509,608.08</u>
TOTAL ASSETS	<u><u>743,739.81</u></u>	<u><u>509,608.08</u></u>
FUND BALANCE		
Unreserved Fund Balances	<u>743,739.81</u>	<u>509,608.08</u>
TOTAL FUND BALANCES	<u><u>743,739.81</u></u>	<u><u>509,608.08</u></u>

See accompanying notes to financial statements

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Washington, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1813 by an Act of the Missouri Territory. In addition to the three board members, there are five elected Constitutional Officers: County Clerk, Treasurer/Ex Officio Collector, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Washington County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government.

In accordance with accounting principles generally accepted in the United States of America, the Health Department of Washington County, Missouri, the Washington County 911 Board and the Washington County SB40 Board have issued separate reporting entity financial statements. For information on these component units, please contact the Washington County Health Department, Washington County 911 Board and the Washington County SB40 Board.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Washington County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Washington County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, Special Road and Bridge, Sheriff's Law Enforcement Fund and the Economic Development Fund are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued):

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Sheriff's Law Enforcement Fund – A Special Revenue Fund used for training.

Economic Development Fund – A Special Revenue Fund used to promote industries.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 114,014,463	\$ 94,358,646
Personal Property	42,564,740	42,774,589
Railroad and Utilities	<u>51,902,196</u>	<u>51,594,455</u>
	<u>\$ 208,481,399</u>	<u>\$ 188,727,690</u>

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Cash Basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

II. DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$3,143,636.48 and \$2,572,994.16, the bank balance was \$8,257,452.90 and \$7,547,834.31 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

B. Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 3,143,636.48
Investments	-
TOTAL DEPOSITS & INVESTMENTS AS OF DECEMBER 31, 2007	<u>\$ 3,143,636.48</u>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 2,572,994.16
Investments	-
TOTAL DEPOSITS & INVESTMENTS AS OF DECEMBER 31, 2006	<u>\$ 2,572,994.16</u>

C. Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

II. DEPOSITS AND INVESTMENTS (concluded)

D. Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

E. Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

F. Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

III. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
<u>MAJOR FUNDS:</u>				
General Fund	\$ 447,522.74	\$ 780,500.00	\$ 386,967.09	\$ 676,084.72
Special Road and Bridge	0.00	85,250.52	0.00	80,088.56
Sheriff's Law Enforcement	687,300.00	0.00	697,374.72	0.00
Economic Development	0.00	139,596.68	0.00	130,777.13
Non-major Funds	<u>176,824.85</u>	<u>306,300.39</u>	<u>24,269.54</u>	<u>221,660.94</u>
TOTAL	<u>\$ 1,311,647.59</u>	<u>\$ 1,311,647.59</u>	<u>\$ 1,108,611.35</u>	<u>\$ 1,108,611.35</u>

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

IV. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for vested employees.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$106,852.54 and \$99,046.10, respectively, for the years then ended.

V. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752 and \$7,752, respectively, for the years ended December 31, 2007 and 2006.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

VI. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

VII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is currently under litigation that has been turned over to its liability insurance carrier.

B. Compensated Absences

The County provides employees with annual leave time based upon the number of years of continuing service. Upon termination from county employment, an employee is paid for overtime if applicable.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

VIII. LONG-TERM DEBT

The County does not maintain sufficient records of recording debt on the financial statements.

IX. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

IX. RISK MANAGEMENT (concluded)

The County is a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

X. ACCOUNTING CHANGE

For the year ended December 31, 2006, the County has implemented GASB Statement No. 34, "Basic Financial Statements – For State and Local Governments." GASB No. 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments. The County's implementation was done on the cash basis of accounting. Therefore, significant assets (i.e. capital assets) and significant liabilities (i.e. general obligation bonds) are not presented in the financial statements of the County.

In addition, for the year ended December 31, 2006, the County has implemented GASB Statement no. 37, "Basic Financial Statements for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures."

At December 31, 2006, there was no effect on fund balance as a result of implementing these GASB Statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL CASH BASIS-GENERAL FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	478,000.00	478,000.00	322,898.25	(155,101.75)	470,016.30	470,016.30	470,457.26	440.96
Sales tax	903,000.00	903,000.00	946,775.43	43,775.43	732,476.05	732,476.05	893,618.14	161,142.09
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenues	134,394.48	134,394.48	399,496.00	265,101.52	445,069.10	445,069.10	213,866.28	(231,202.82)
Charges for services	401,385.00	401,385.00	413,442.80	12,057.80	398,785.24	398,785.24	390,739.78	(8,045.46)
Grants	75,069.00	75,069.00	68,582.68	(6,486.32)	263,608.00	263,608.00	63,233.04	(200,374.96)
Reimbursements	64,617.43	64,617.43	66,574.43	1,957.00	101,110.56	101,110.56	55,016.76	(46,093.80)
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interests	8,800.00	8,800.00	7,424.55	(1,375.45)	5,000.00	5,000.00	8,618.57	3,618.57
Other	209,077.32	209,077.32	158,916.61	(50,160.71)	161,105.00	161,105.00	179,113.20	18,008.20
Total Revenues	2,274,343.23	2,274,343.23	2,384,110.75	109,767.52	2,577,170.25	2,577,170.25	2,274,663.03	(302,507.22)
EXPENDITURES:								
Current:								
General county government	473,070.50	473,070.50	455,268.58	(17,801.92)	530,526.23	530,526.23	538,173.10	7,646.87
Financial Administration:	232,812.22	232,812.22	217,703.00	(15,109.22)	217,076.68	217,076.68	210,079.24	(6,997.44)
Other offices & grants	331,974.02	331,974.02	326,611.09	(5,362.93)	379,850.09	379,850.09	434,744.09	54,894.00
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording:	130,076.00	130,076.00	120,451.00	(9,625.00)	115,571.00	115,571.00	114,874.19	(696.81)
Administration of Justice and Law	906,246.56	906,246.56	855,000.22	(51,246.34)	800,262.86	800,262.86	769,481.87	(30,780.99)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	2,074,179.30	2,074,179.30	1,975,033.89	(99,145.41)	2,043,286.86	2,043,286.86	2,067,352.49	24,065.63
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	200,163.93	200,163.93	409,076.86	208,912.93	533,883.39	533,883.39	207,310.54	(326,572.85)
OTHER FINANCING SOURCES (USES):								
Transfers in	519,214.57	519,214.57	447,522.74	(71,691.83)	192,348.49	192,348.49	386,967.09	194,618.60
Transfers out	-	-	(780,500.00)	(780,500.00)	(679,910.80)	(679,910.80)	(676,084.72)	3,826.08
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	519,214.57	519,214.57	(332,977.26)	(852,191.83)	(487,562.31)	(487,562.31)	(289,117.63)	198,444.68
NET CHANGE IN FUND BALANCE	719,378.50	719,378.50	76,099.60	(643,278.90)	46,321.08	46,321.08	(81,807.09)	(128,128.17)
FUND BALANCE - BEGIN OF YEAR	5,631.53	5,631.53	5,631.53	-	87,438.62	87,438.62	87,438.62	-
FUND BALANCE - END OF YEAR	725,010.03	725,010.03	81,731.13	(643,278.90)	133,759.70	133,759.70	5,631.53	(128,128.17)

See accompanying independent auditors' report

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL-GENERAL FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 126,005.27	126,005.27	132,596.00	\$ 6,590.73	\$ 123,679.91	123,679.91	123,898.53	\$ 218.62
County Clerk	166,010.26	161,110.26	157,309.26	(3,801.00)	161,933.06	158,233.06	147,632.75	(10,600.31)
Elections	48,149.76	62,252.36	55,467.32	(6,785.04)	127,759.63	127,759.63	134,194.54	6,434.91
Buildings and grounds	132,905.21	132,905.21	109,896.00	(23,009.21)	117,153.63	145,551.63	132,447.28	(13,104.35)
Employee fringe benefits	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-
	<u>473,070.50</u>	<u>482,273.10</u>	<u>455,268.58</u>	<u>(27,004.52)</u>	<u>530,526.23</u>	<u>555,224.23</u>	<u>538,173.10</u>	<u>(17,051.13)</u>
Financial Administration:								
Collector	161,943.00	160,543.00	147,822.00	12,721.00	147,778.54	150,678.54	142,457.06	8,221.48
Treasurer	70,869.22	70,669.22	69,881.00	(788.22)	69,298.14	68,998.14	67,622.18	(1,375.96)
	<u>232,812.22</u>	<u>231,212.22</u>	<u>217,703.00</u>	<u>11,932.78</u>	<u>217,076.68</u>	<u>219,676.68</u>	<u>210,079.24</u>	<u>6,845.52</u>
Other Offices & Grants								
Other Offices & Grants	<u>331,974.02</u>	<u>314,648.92</u>	<u>326,611.09</u>	<u>(11,962.17)</u>	<u>379,850.09</u>	<u>494,605.01</u>	<u>434,744.09</u>	<u>59,860.92</u>
	<u>331,974.02</u>	<u>314,648.92</u>	<u>326,611.09</u>	<u>(11,962.17)</u>	<u>379,850.09</u>	<u>494,605.01</u>	<u>434,744.09</u>	<u>59,860.92</u>
Health & Welfare								
Public Health and Welfare	-	-	-	-	-	-	-	-

See accompanying independent auditors' report

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
DEPARTMENTAL SCHEDULE OF EXPENDITURES
NON-GAAP BUDGET BASIS AND ACTUAL-GENERAL FUND (CONTINUED)
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording: Recorder of Deeds	130,076.00	125,432.00	120,451.00	(4,981.00)	115,571.00	116,165.00	114,874.19	(1,290.81)
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	81,747.01	56,105.21	52,196.00	(3,909.21)	59,150.72	57,149.72	51,416.15	(5,733.57)
Surveyor	12,659.40	12,659.40	11,799.50	(859.90)	12,455.88	12,555.88	12,472.84	(83.04)
Associate Circuit - (Probate)	50,157.52	50,157.52	42,807.00	(7,350.52)	51,234.44	47,734.44	45,236.54	(2,497.90)
Court Administrator	15,475.00	15,475.00	9,572.00	(5,903.00)	14,225.00	14,225.00	13,521.15	(703.85)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges & Court Reporters	8,000.00	8,000.00	9,928.00	1,928.00	9,000.00	9,000.00	7,457.03	(1,542.97)
Jail	-	-	-	-	-	-	-	-
Landfill	34,789.14	34,789.14	34,760.00	(29.14)	33,491.76	33,491.76	33,449.56	(42.20)
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	82,951.40	82,951.40	82,951.00	(0.40)	82,951.00	82,951.00	82,951.40	0.40
Lincoln County Rescue Squad	-	-	-	-	-	-	-	-
Coroner's Office	60,243.96	49,639.38	67,797.00	18,157.62	37,277.56	37,277.56	41,786.83	4,509.27
Sheriffs Office	1,500.00	1,500.00	1,493.47	(6.53)	1,500.00	1,500.00	1,244.00	(256.00)
Drug Task Force	-	-	-	-	-	-	-	-
Emergency Fund	5,660.00	5,660.00	1,721.25	(3,938.75)	2,000.00	2,000.00	6,037.15	4,037.15
Prosecuting Attorney	482,659.23	430,120.98	464,660.00	34,539.02	426,414.00	417,825.28	406,902.28	(10,923.00)
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	70,403.90	70,403.90	75,315.00	4,911.10	70,562.50	70,262.50	67,006.94	(3,255.56)
	906,246.56	817,461.93	855,000.22	37,538.29	800,262.86	785,973.14	769,481.87	(16,491.27)
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,074,179.30	1,971,028.17	1,975,033.89	5,523.38	\$ 2,043,286.86	2,171,644.06	2,067,352.49	31,873.23

See accompanying independent auditors' report

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL CASH BASIS-SPECIAL REVENUE
ROAD AND BRIDGE FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	551,898.00	551,898.00	580,067.00	28,169.00	551,089.89	551,089.89	512,298.25	(38,791.64)
Sales tax	740,000.00	740,000.00	758,249.00	18,249.00	720,000.00	720,000.00	732,383.26	12,383.26
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	670,600.00	670,600.00	805,445.00	134,845.00	1,208,484.06	1,208,484.06	955,368.03	(253,116.03)
Charges for services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	8,000.00	8,000.00	16,312.00	8,312.00	9,558.98	9,558.98	10,689.20	1,130.22
Other	130,700.00	130,700.00	128,393.51	(2,306.49)	100.00	100.00	230,180.22	230,080.22
Total Revenues	2,101,198.00	2,101,198.00	2,288,466.51	187,268.51	2,489,232.93	2,489,232.93	2,440,918.96	(48,313.97)
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Highway and Roads	2,383,754.47	2,383,754.47	2,500,296.81	116,542.34	2,036,657.32	2,154,924.67	2,085,683.61	(69,241.06)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment & buildings	-	-	-	-	-	-	-	-
Total Expenditures	2,383,754.47	2,383,754.47	2,500,296.81	116,542.34	2,036,657.32	2,154,924.67	2,085,683.61	(69,241.06)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(282,556.47)	(282,556.47)	(211,830.30)	70,726.17	452,575.61	334,308.26	355,235.35	20,927.09
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(85,017.00)	(85,017.00)	(85,250.52)	(233.52)	(62,348.49)	(62,348.49)	(80,088.56)	(17,740.07)
Total Other Financing Sources (Uses)	(85,017.00)	(85,017.00)	(85,250.52)	(233.52)	(62,348.49)	(62,348.49)	(80,088.56)	(17,740.07)
NET CHANGE IN FUND BALANCE	(367,573.47)	(367,573.47)	(297,080.82)	70,492.65	390,227.12	271,959.77	275,146.79	3,187.02
FUND BALANCE - BEGINNING OF YEAR	368,175.95	368,175.95	368,175.95	-	93,029.16	93,029.16	93,029.16	-
FUND BALANCE - END OF YEAR	602.48	602.48	71,095.13	70,492.65	483,256.28	364,988.93	368,175.95	3,187.02

See accompanying independent auditors' report

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL CASH BASIS SPECIAL REVENUE
SHERIFF'S LAW ENFORCEMENT FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	740,000.00	740,000.00	758,253.63	18,253.63	725,000.00	725,000.00	732,381.74	7,381.74
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	48,205.00	48,205.00	155,216.63	107,011.63	313,000.00	313,000.00	-	(313,000.00)
Charges for Services	7,200.00	7,200.00	992.00	(6,208.00)	6,000.00	6,000.00	5,346.94	(653.06)
Grants	-	-	15,367.70	15,367.70	39,576.38	39,576.38	23,792.35	(15,784.03)
Reimbursement	17,600.00	17,600.00	8,253.11	(9,346.89)	25,600.00	25,600.00	3,812.53	(21,787.47)
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	4,553.76	4,553.76	28.10	(4,525.66)	150.00	150.00	23.44	(126.56)
Other	183,200.00	183,200.00	19,516.01	(163,683.99)	11,000.00	11,000.00	150,850.21	139,850.21
Total Revenues	1,000,758.76	1,000,758.76	957,627.18	(43,131.58)	1,120,326.38	1,120,326.38	916,207.21	(204,119.17)
EXPENDITURES:								
Current:								
Public Safety	1,657,476.63	1,648,523.11	1,659,422.00	10,898.89	1,520,552.75	1,599,550.81	1,599,284.93	(265.88)
Highway and Roads	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment & buildings	-	-	-	-	-	-	-	-
Total Expenditures	1,657,476.63	1,648,523.11	1,659,422.00	10,898.89	1,520,552.75	1,599,550.81	1,599,284.93	(265.88)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(656,717.87)	(647,764.35)	(701,794.82)	(54,030.47)	(400,226.37)	(479,224.43)	(683,077.72)	(203,853.29)
OTHER FINANCING SOURCES(USES):								
Transfers in	637,021.11	637,021.11	687,300.00	50,278.89	658,084.72	658,084.72	697,374.72	39,290.00
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	637,021.11	637,021.11	687,300.00	50,278.89	658,084.72	658,084.72	697,374.72	39,290.00
NET CHANGE IN FUND BALANCE	(19,696.76)	(10,743.24)	(14,494.82)	(3,751.58)	257,858.35	178,860.29	14,297.00	(164,563.29)
FUND BALANCE - BEGINNING OF YEAR	15,297.00	15,297.00	15,297.00	-	1,000.00	1,000.00	1,000.00	-
FUND BALANCE - END OF YEAR	(4,399.76)	4,553.76	802.18	(3,751.58)	258,858.35	179,860.29	15,297.00	(164,563.29)

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-GAAP BUDGET BASIS AND ACTUAL CASH BASIS SPECIAL REVENUE
ECONOMIC DEVELOPMENT FUND
UNAUDITED
FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	740,000.00	740,000.00	758,215.69	18,215.69	728,400.00	728,400.00	732,383.47	3,983.47
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	59,000.00	59,000.00	90,953.56	31,953.56	21,600.00	21,600.00	66,105.32	44,505.32
Other	-	-	-	-	-	-	-	-
Total Revenues	799,000.00	799,000.00	849,169.25	50,169.25	750,000.00	750,000.00	798,488.79	48,488.79
EXPENDITURES:								
Current:								
General County Government	2,380,000.00	2,380,000.00	50,000.00	(2,330,000.00)	1,860,000.00	1,860,000.00	450,000.00	(1,410,000.00)
911 Emergency Telephone Expense	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	2,380,000.00	2,380,000.00	50,000.00	(2,330,000.00)	1,860,000.00	1,860,000.00	450,000.00	(1,410,000.00)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,581,000.00)	(1,581,000.00)	799,169.25	2,380,169.25	(1,110,000.00)	(1,110,000.00)	348,488.79	1,458,488.79
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(139,596.68)	(139,596.68)	-	-	(130,777.13)	(130,777.13)
Total Other Financing Sources (Uses)	-	-	(139,596.68)	(139,596.68)	-	-	(130,777.13)	(130,777.13)
NET CHANGE IN FUND BALANCE	(1,581,000.00)	(1,581,000.00)	659,572.57	2,240,572.57	(1,110,000.00)	(1,110,000.00)	217,711.66	1,327,711.66
FUND BALANCE - BEGINNING OF YEAR	1,585,532.31	1,585,532.31	1,585,532.31	-	1,367,820.65	1,367,820.65	1,367,820.65	-
FUND BALANCE - END OF YEAR	4,532.31	4,532.31	2,245,104.88	2,240,572.57	257,820.65	257,820.65	1,585,532.31	1,327,711.66

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

I. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the modified cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Airport Fund	Revolving Loan Fund	Prosecuting Attorney Delinquent Tax	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Sheriff Civil Fees	Recorder User Funds	Defense of Appeals Fund	DARE	Election Services	Senior Citizens Service Funds Board	Recorder Tech	Shelter Fund
ASSETS															
Cash and Cash Equivalents	391.13	4,689.66	356.58	126,350.34	6,602.58	7,641.37	80,887.83	375.10	103,521.76	7,058.42	8.58	97.97	131,965.50	33,111.57	881.01
TOTAL ASSETS	<u>391.13</u>	<u>4,689.66</u>	<u>356.58</u>	<u>126,350.34</u>	<u>6,602.58</u>	<u>7,641.37</u>	<u>80,887.83</u>	<u>375.10</u>	<u>103,521.76</u>	<u>7,058.42</u>	<u>8.58</u>	<u>97.97</u>	<u>131,965.50</u>	<u>33,111.57</u>	<u>881.01</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	391.13	4,689.66	356.58	126,350.34	6,602.58	7,641.37	80,887.83	375.10	103,521.76	7,058.42	8.58	97.97	131,965.50	33,111.57	881.01
TOTAL LIABILITIES AND FUND BALANCES	<u>391.13</u>	<u>4,689.66</u>	<u>356.58</u>	<u>126,350.34</u>	<u>6,602.58</u>	<u>7,641.37</u>	<u>80,887.83</u>	<u>375.10</u>	<u>103,521.76</u>	<u>7,058.42</u>	<u>8.58</u>	<u>97.97</u>	<u>131,965.50</u>	<u>33,111.57</u>	<u>881.01</u>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
DECEMBER 31, 2007

	Building Fund	HAVA Fund	County Sheriff Revolving Fund	Assessor Tech Fund	Surtax Fund	Water District Holiday Shores Fund	Belgrade Water District #2	Collector Tax Maint Fund	Circuit Clerk Interest	Time Payment Plan	Associate Circuit Division Interest	Total
ASSETS												
Cash and Cash Equivalents	256,804.72	-	9,266.90	25,304.90	4,668.46	-	-	67,162.77	2,531.25	6,300.02	890.24	876,868.66
												-
TOTAL ASSETS	<u>256,804.72</u>	<u>-</u>	<u>9,266.90</u>	<u>25,304.90</u>	<u>4,668.46</u>	<u>-</u>	<u>-</u>	<u>67,162.77</u>	<u>2,531.25</u>	<u>6,300.02</u>	<u>890.24</u>	<u>876,868.66</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>256,804.72</u>	<u>-</u>	<u>9,266.90</u>	<u>25,304.90</u>	<u>4,668.46</u>	<u>-</u>	<u>-</u>	<u>67,162.77</u>	<u>2,531.25</u>	<u>6,300.02</u>	<u>890.24</u>	<u>876,868.66</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>256,804.72</u>	<u>-</u>	<u>9,266.90</u>	<u>25,304.90</u>	<u>4,668.46</u>	<u>-</u>	<u>-</u>	<u>67,162.77</u>	<u>2,531.25</u>	<u>6,300.02</u>	<u>890.24</u>	<u>876,868.66</u>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Training Fund	Airport Fund	Revolving Loan Fund	Prosecuting Attorney Delinquent Tax	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Sheriff Civil Fees	Recorder User Funds	Defense of Appeals Fund	DARE	Election Services	Recorder Tech	Senior Citizens Service Funds Board
REVENUES:														
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	95,485.48
Sales tax														-
Other taxes														-
Intergovernmental Revenue	110,287.74	1,439.86	-	-	2,179.01	653.31	22,099.39	48,094.81	12,560.00			1,343.75	9,533.75	6,571.92
Charges for Services	7,337.95	2,659.00	-	-							-			
Grants														
Reimbursements	144,380.45	-	-	-										
Fees, licenses and permits	-													
Interest	1,166.41	175.82	23.05	4,510.28	326.41	423.72	5,322.25	454.39	5,652.80	396.68	35.63	53.24	2,803.69	9,281.32
Contributions														
Other	92.75		11,145.63	46,437.66										
Total Revenues	263,265.30	4,274.68	11,168.68	50,947.94	2,505.42	1,077.03	27,421.64	48,549.20	18,212.80	396.68	35.63	1,396.99	12,337.44	111,338.72
EXPENDITURES														
General government	308,065.66		11,500.00	-			3,896.50	-	5,794.99			1,699.86	5,530.91	
Public Safety		4,658.90	-		1,946.78	379.60					1,366.37			
Highways and roads														
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Senior Citizens														79,094.75
Capital Outlay:														
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service														
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	308,065.66	4,658.90	11,500.00	-	1,946.78	379.60	3,896.50	-	5,794.99	-	1,366.37	1,699.86	5,530.91	79,094.75
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,800.36)	(384.22)	(331.32)	50,947.94	558.64	697.43	23,525.14	48,549.20	12,417.81	396.68	(1,330.74)	(302.87)	6,806.53	32,243.97
OTHER FINANCING SOURCES (USES):														
Transfers in	44,395.25	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(29,883.64)	(52,300.00)	-	-	-	(1,429.60)	(1,000.00)	-
Total Other Financing Sources (Uses)	44,395.25	-	-	-	-	-	(29,883.64)	(52,300.00)	-	-	-	(1,429.60)	(1,000.00)	-
NET CHANGE IN FUND BALANCES	(405.11)	(384.22)	(331.32)	50,947.94	558.64	697.43	(6,358.50)	(3,750.80)	12,417.81	396.68	(1,330.74)	(1,732.47)	5,806.53	32,243.97
FUND BALANCES - BEGINNING OF YEAR	796.24	5,073.88	687.90	75,402.40	6,043.94	6,943.94	87,246.33	4,125.90	91,103.95	6,661.74	1,339.32	1,830.44	27,305.04	99,721.53
FUND BALANCES - END OF YEAR	391.13	4,689.66	356.58	126,350.34	6,602.58	7,641.37	80,887.83	375.10	103,521.76	7,058.42	8.58	97.97	33,111.57	131,965.50

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Shelter Fund	Building Fund	HAVA Fund	County Sheriff Revolving Fund	Assessor Tech Fund	Surtax Fund	Water District Holiday Shores Fund	Belgrade Water District #2	Collector Tax Maint Fund	Circuit Clerk Interest	Time Payment Plan	Associate Circuit Division Interest	Total
REVENUES:													
Property taxes	-	-	-	-	-	192,609.59	-	-	-	-			288,095.07
Sales tax	-	-	-	-	-	-	-	-	-	-			-
Other taxes													-
Intergovernmental Revenue			339.53				1,000.00	14,163.50	-	-	5,757.20		143,082.51
Charges for Services	1,930.00		-	8,084.00	27,887.67			-	36,474.67	-			177,314.55
Grants	-		-					-	-	-			-
Reimbursements													144,380.45
Fees, licenses and permits													-
Interest	24.51	9,497.51	36.36	438.86	2,090.78	6,074.82	-	-	2,967.84	286.34		338.19	52,380.90
Contributions							-						-
Other	-	140,440.67	-	-	-	-	-	-	-	1,588.52	-	-	199,705.23
Total Revenues	1,954.51	149,938.18	375.89	8,522.86	29,978.45	198,684.41	1,000.00	14,163.50	39,442.51	1,874.86	5,757.20	338.19	1,004,958.71
EXPENDITURES													
General government	2,113.12	-	2,803.93	5,027.86	6,369.04	213,986.05	1,000.00	14,163.50	16,565.21	1,415.04	9,315.34		609,247.01
Public Safety													8,351.65
Highways and roads		-											-
Health and welfare	-	-	-	-	-	-	-	-	-	-			-
Capital outlay	-	-	-	-	-	-	-	-	-	-			-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-			-
Senior Citizens													79,094.75
Capital Outlay:													-
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-			-
Future capital improvements	-	-	-	-	-	-	-	-	-	-			-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-			-
Debt Service													-
Principal payment	-	-	-	-	-	-	-	-	-	-			-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-			-
Other Charges	-	-	-	-	-	-	-	-	-	-			-
Total Expenditures	2,113.12	-	2,803.93	5,027.86	6,369.04	213,986.05	1,000.00	14,163.50	16,565.21	1,415.04	9,315.34	-	696,693.41
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(158.61)	149,938.18	(2,428.04)	3,495.00	23,609.41	(15,301.64)	-	-	22,877.30	459.82	(3,558.14)	338.19	308,265.30
OTHER FINANCING SOURCES (USES):													
Transfers in	-	131,000.00	1,429.60	-	-	-	-	-	-	-	-	-	176,824.85
Transfers out	-	(170,000.00)	-	-	(28,895.25)	-	-	-	(22,791.90)	-	-	-	(306,300.39)
Total Other Financing Sources (Uses)	-	(39,000.00)	1,429.60	-	(28,895.25)	-	-	-	(22,791.90)	-	-	-	(129,475.54)
NET CHANGE IN FUND BALANCES	(158.61)	110,938.18	(998.44)	3,495.00	(5,285.84)	(15,301.64)	-	-	85.40	459.82	(3,558.14)	338.19	178,789.76
FUND BALANCES - BEGINNING OF YEAR	1,039.62	145,866.54	998.44	5,771.90	30,590.74	19,970.10	-	-	67,077.37	2,071.43	9,858.16	552.05	698,078.90
FUND BALANCES - END OF YEAR	881.01	256,804.72	-	9,266.90	25,304.90	4,668.46	-	-	67,162.77	2,531.25	6,300.02	890.24	876,868.66

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Training Fund	Airport Fund	Revolving Loan Fund	Prosecuting Attorney Delinquent Tax	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Sheriff Civil Fees	Recorder User Funds	Defense of Appeals Fund	DARE	Election Services	Senior Citizens Service Funds Board	Recorder Tech	Shelter Fund
ASSETS															
Cash and Cash Equivalents	796.24	5,073.88	687.90	75,402.40	6,043.94	6,943.94	87,246.33	4,125.90	91,103.95	6,661.74	1,339.32	1,830.44	99,721.53	27,305.04	1,039.62
TOTAL ASSETS	<u>796.24</u>	<u>5,073.88</u>	<u>687.90</u>	<u>75,402.40</u>	<u>6,043.94</u>	<u>6,943.94</u>	<u>87,246.33</u>	<u>4,125.90</u>	<u>91,103.95</u>	<u>6,661.74</u>	<u>1,339.32</u>	<u>1,830.44</u>	<u>99,721.53</u>	<u>27,305.04</u>	<u>1,039.62</u>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>796.24</u>	<u>5,073.88</u>	<u>687.90</u>	<u>75,402.40</u>	<u>6,043.94</u>	<u>6,943.94</u>	<u>87,246.33</u>	<u>4,125.90</u>	<u>91,103.95</u>	<u>6,661.74</u>	<u>1,339.32</u>	<u>1,830.44</u>	<u>99,721.53</u>	<u>27,305.04</u>	<u>1,039.62</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>796.24</u>	<u>5,073.88</u>	<u>687.90</u>	<u>75,402.40</u>	<u>6,043.94</u>	<u>6,943.94</u>	<u>87,246.33</u>	<u>4,125.90</u>	<u>91,103.95</u>	<u>6,661.74</u>	<u>1,339.32</u>	<u>1,830.44</u>	<u>99,721.53</u>	<u>27,305.04</u>	<u>1,039.62</u>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Building Fund	HAVA Fund	County Sheriff Revolving Fund	Assessor Tech Fund	Surtax Fund	Water District Holiday Shores Fund	Belgrade Water District #2	Collector Tax Maint Fund	Circuit Clerk Interest	Time Payment Plan	Associate Circuit Division Interest	Total
ASSETS												
Cash and Cash Equivalents	145,866.54	998.44	5,771.90	30,590.74	19,970.10	-	-	67,077.37	2,071.43	9,858.16	552.05	698,078.90
												-
TOTAL ASSETS	<u>145,866.54</u>	<u>998.44</u>	<u>5,771.90</u>	<u>30,590.74</u>	<u>19,970.10</u>	<u>-</u>	<u>-</u>	<u>67,077.37</u>	<u>2,071.43</u>	<u>9,858.16</u>	<u>552.05</u>	<u>698,078.90</u>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>145,866.54</u>	<u>998.44</u>	<u>5,771.90</u>	<u>30,590.74</u>	<u>19,970.10</u>	<u>-</u>	<u>-</u>	<u>67,077.37</u>	<u>2,071.43</u>	<u>9,858.16</u>	<u>552.05</u>	<u>698,078.90</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>145,866.54</u>	<u>998.44</u>	<u>5,771.90</u>	<u>30,590.74</u>	<u>19,970.10</u>	<u>-</u>	<u>-</u>	<u>67,077.37</u>	<u>2,071.43</u>	<u>9,858.16</u>	<u>552.05</u>	<u>698,078.90</u>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Training Fund	Airport Fund	Revolving Loan Fund	Prosecuting Attorney Delinquent Tax	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Sheriff Civil Fees	Recorder User Funds	Defense of Appeals Fund	DARE	Election Services	Senior Citizens Service Funds Board
REVENUES:													
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	91,657.79
Sales tax													
Other taxes													
Intergovernmental Revenue	105,336.27	1,564.40	-		613.16							353.00	5,020.08
Charges for Services	5,606.54	2,922.00	-	-		734.60	37,618.86	42,943.72	12,020.00		-		
Grants							-		-				
Reimbursements	124,438.39	-	-	-			-						
Fees, licenses and permits	-												
Interest	755.52	162.00	31.09	3,835.11	360.93	354.40	4,590.24	390.83	4,551.78	350.32	70.50	87.95	6,146.87
Contributions					-					-	441.00		
Other	2,052.72		10,332.77	37,544.62		-							
Total Revenues	238,189.44	4,648.40	10,363.86	41,379.73	974.09	1,089.00	42,209.10	43,334.55	16,571.78	350.32	511.50	440.95	102,824.74
EXPENDITURES													
General government	262,162.74		10,500.00	-			4,290.00	-	2,670.99		-	-	
Public Safety		6,430.93	-		1,756.49	207.03					576.10		
Highways and roads													
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-	-	
Senior Citizens													85,054.50
Capital Outlay:													
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service													
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	262,162.74	6,430.93	10,500.00	-	1,756.49	207.03	4,290.00	-	2,670.99	-	576.10	-	85,054.50
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,973.30)	(1,782.53)	(136.14)	41,379.73	(782.40)	881.97	37,919.10	43,334.55	13,900.79	350.32	(64.60)	440.95	17,770.24
OTHER FINANCING SOURCES (USES):													
Transfers in	24,269.54	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(23,414.46)	(39,290.00)	-	-	-	-	-
Total Other Financing Sources (Uses)	24,269.54	-	-	-	-	-	(23,414.46)	(39,290.00)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	296.24	(1,782.53)	(136.14)	41,379.73	(782.40)	881.97	14,504.64	4,044.55	13,900.79	350.32	(64.60)	440.95	17,770.24
FUND BALANCES - BEGINNING OF YEAR	500.00	6,856.41	824.04	34,022.67	6,826.34	6,061.97	72,741.69	81.35	77,203.16	6,311.42	1,403.92	1,389.49	81,951.29
FUND BALANCES - END OF YEAR	796.24	5,073.88	687.90	75,402.40	6,043.94	6,943.94	87,246.33	4,125.90	91,103.95	6,661.74	1,339.32	1,830.44	99,721.53

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Recorder Tech	Shelter Fund	Building Fund	HAVA Fund	County Sheriff Revolving Fund	Assessor Tech Fund	Surtax Fund	Water District Holiday Shores Fund	Belgrade Water District #2	Collector Tax Maint Fund	Circuit Clerk Interest	Time Payment Plan	Associate Circuit Division Interest	Total
REVENUES:														
Property taxes	-	-	-	-	-	-	195,611.39	-	-	-	-			287,269.18
Sales tax	-	-	-	-	-	-	-	-	-	-	-			-
Other taxes														-
Intergovernmental Revenue				175,500.00				14,753.50	113,998.75	-	-	4,604.83		421,743.99
Charges for Services	9,483.75	1,630.00		-	5,320.00	26,050.43				34,744.13	-			179,074.03
Grants		-		-				-	-	-	-			-
Reimbursements	-									-	-			124,438.39
Fees, licenses and permits										-	-			-
Interest	1,201.72	25.85	8,460.17	442.75	199.95	1,918.14	3,182.74	-	-	2,818.55	4.48		275.05	40,216.94
Contributions								-						441.00
Other	-	-	182,946.22	-	-	-	-	-	-	302.75	1,838.28	-	-	235,017.36
Total Revenues	10,685.47	1,655.85	191,406.39	175,942.75	5,519.95	27,968.57	198,794.13	14,753.50	113,998.75	37,865.43	1,842.76	4,604.83	275.05	1,288,200.89
EXPENDITURES														
General government	1,698.50	1,916.90	-	189,156.74	1,759.84	8,273.73	186,924.61	14,753.50	113,998.75	6,263.75	811.73	481.40		805,663.18
Public Safety														8,970.55
Highways and roads			68,794.30											68,794.30
Health and welfare	-	-	-	-	-	-	-	-	-	-	-			-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-			-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-	-			-
Senior Citizens														85,054.50
Capital Outlay:														-
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-			-
Future capital improvements	-	-	-	-	-	-	-	-	-	-	-			-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-			-
Debt Service														-
Principal payment	-	-	-	-	-	-	-	-	-	-	-			-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-			-
Other Charges	-	-	-	-	-	-	-	-	-	-	-			-
Total Expenditures	1,698.50	1,916.90	68,794.30	189,156.74	1,759.84	8,273.73	186,924.61	14,753.50	113,998.75	6,263.75	811.73	481.40	-	968,482.53
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,986.97	(261.05)	122,612.09	(13,213.99)	3,760.11	19,694.84	11,869.52	-	-	31,601.68	1,031.03	4,123.43	275.05	319,718.36
OTHER FINANCING SOURCES (USES):														
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	24,269.54
Transfers out	-	-	(130,000.00)	-	-	(6,269.54)	-	-	-	(22,686.94)	-	-	-	(221,660.94)
Total Other Financing Sources (Uses)	-	-	(130,000.00)	-	-	(6,269.54)	-	-	-	(22,686.94)	-	-	-	(197,391.40)
NET CHANGE IN FUND BALANCES	8,986.97	(261.05)	(7,387.91)	(13,213.99)	3,760.11	13,425.30	11,869.52	-	-	8,914.74	1,031.03	4,123.43	275.05	122,326.96
FUND BALANCES - BEGINNING OF YEAR	18,318.07	1,300.67	153,254.45	14,212.43	2,011.79	17,165.44	8,100.58	-	-	58,162.63	1,040.40	5,734.73	277.00	575,751.94
FUND BALANCES - END OF YEAR	27,305.04	1,039.62	145,866.54	998.44	5,771.90	30,590.74	19,970.10	-	-	67,077.37	2,071.43	9,858.16	552.05	698,078.90

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2007

	<u>Circuit Clerk</u>	<u>Recorder</u>	<u>Associate Circuit Clerk</u>	<u>Clerk's Account</u>	<u>Collector's Account</u>	<u>Sheriff's Account</u>	<u>Treasurer's Account</u>	<u>Total</u>
ASSETS								
Cash and Cash Equivalents	<u>170,458.33</u>	<u>-</u>	<u>23,523.15</u>	<u>-</u>	<u>100,915.10</u>	<u>39,278.37</u>	<u>409,564.86</u>	<u>743,739.81</u>
TOTAL ASSETS	<u>170,458.33</u>	<u>-</u>	<u>23,523.15</u>	<u>-</u>	<u>100,915.10</u>	<u>39,278.37</u>	<u>409,564.86</u>	<u>743,739.81</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>170,458.33</u>	<u>-</u>	<u>23,523.15</u>	<u>-</u>	<u>100,915.10</u>	<u>39,278.37</u>	<u>409,564.86</u>	<u>743,739.81</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>170,458.33</u>	<u>-</u>	<u>23,523.15</u>	<u>-</u>	<u>100,915.10</u>	<u>39,278.37</u>	<u>409,564.86</u>	<u>743,739.81</u>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS - AGENCY FUNDS
DECEMBER 31, 2006

	<u>Circuit Clerk</u>	<u>Recorder</u>	<u>Associate Circuit Clerk</u>	<u>Clerk's Account</u>	<u>Collector's Account</u>	<u>Sheriff's Account</u>	<u>Treasurer's Accounts</u>	<u>Total</u>
ASSETS								
Cash and Cash Equivalents	<u>70,158.36</u>	<u>-</u>	<u>34,227.08</u>	<u>-</u>	<u>73,454.33</u>	<u>4,422.21</u>	<u>327,346.10</u>	<u>509,608.08</u>
TOTAL ASSETS	<u>70,158.36</u>	<u>-</u>	<u>34,227.08</u>	<u>-</u>	<u>73,454.33</u>	<u>4,422.21</u>	<u>327,346.10</u>	<u>509,608.08</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>70,158.36</u>	<u>-</u>	<u>34,227.08</u>	<u>-</u>	<u>73,454.33</u>	<u>4,422.21</u>	<u>327,346.10</u>	<u>509,608.08</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>70,158.36</u>	<u>-</u>	<u>34,227.08</u>	<u>-</u>	<u>73,454.33</u>	<u>4,422.21</u>	<u>327,346.10</u>	<u>509,608.08</u>

STATE COMPLIANCE SECTION

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

I. SCHEDULE OF STATE FINDINGS

There were no state findings.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Washington, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Washington, (the Primary Government), State of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our cash basis report thereon dated August 14, 2008.

Our report was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies FS 06/07-01, FS 06/07-02, FS 06/07-03, FS 06/07-04, and FS 06/07-05, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated August 14, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 14, 2008

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. FINANCIAL STATEMENT FINDINGS

A. FS 06/07-01

1. Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.
2. Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.
3. Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.
4. Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.
5. Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.
6. Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement. The County was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

B. FS 06/07-02

1. Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
2. Condition: Documentation of the County's internal controls has not been prepared.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. FINANCIAL STATEMENT FINDINGS (continued)

B. FS 06/07-02 (continued)

3. Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.
4. Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.
5. Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.
6. Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The County was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

C. FS 06/07-03

1. Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
2. Condition: During our audit, we noted there is no formal fraud risk assessment in place.
3. Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.
4. Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. FINANCIAL STATEMENT FINDINGS (continued)

C. FS 06/07-03 (continued)

5. Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.
6. Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

D. FS 06/07-04

1. Criteria: The County did not maintain sufficient documentation for debt payments.
2. Condition: During our audit, we noted there is not sufficient documentation for debt payments.
3. Effect: Lack of documentation may result in inaccurate balances being budgeted for future expenditures.
4. Cause: The County did not receive proper amortization schedules to accurately report and budget debt expenditures.
5. Recommendation: We recommend that the County obtain sufficient documentation for all debt leases, notes, etc. to properly record and account for expenditures.
6. Management's Response: The County is willing to obtain and maintain sufficient documentation for all debt payments in order to properly record and account for all future debt payments.

E. FS 06/07-05

1. Criteria: The County Sheriff's Department did not provide copies of bank statements and reconciliations for two accounts.
2. Condition: During our audit, we noted there is not sufficient documentation for two bank balances.
3. Effect: Lack of documentation may result in inaccurate cash balances.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. FINANCIAL STATEMENT FINDINGS (concluded)

E. FS 06/07-05

4. Cause: The County misplaced bank statements and bank reconciliations.
5. Recommendation: Prepare monthly bank reconciliations and maintain documentation for five years.
6. Management's Response: The County will consider the Auditor's recommendation.

II. FOLLOW-UP PRIOR YEAR FINDINGS

A. FS 05/04-01

Several weaknesses were noted with the county financial records including the County Clerk not maintaining an account book for all county funds and inadequate procedures to ensure the County's budget is accurate. Also, actual disbursements exceeded budgeted amounts for several funds. Procedures were implemented during the 2006 and 2007 years to resolve these comments.

**THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SINGLE AUDIT REPORT
DECEMBER 31, 2007 & 2006**

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(The Primary Government)
SINGLE AUDIT REPORT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the County Commission
The County of Washington, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Washington, Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Primary Government's basic financial statements, and have issued our cash basis report thereon dated August 14, 2008. Our report was modified because the County prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies FS 06/07-01, FS 06/07-02 FS 06/07-03, FS 06/07-04 and FS 06/07-05, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the Primary Government in a separate report dated August 14, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated August 14, 2008.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, other audit agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 14, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the County Commission
The County of Washington, Potosi Missouri

Compliance

We have audited the compliance of Washington County, (the Primary Government), State of Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and December 31, 2006. The Primary Government major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Primary Government management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Primary Government's compliance with those requirements.

In our opinion, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007 and 2006. However, the results of our auditing procedures disclosed significant deficiencies, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA-06-07-01, SA-06-07-02 and SA-06-07-03.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA-06-07-01, SA-06-07-02 and SA-06-07-03.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Primary Government's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Primary Government as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 14, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Primary Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 14, 2008

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2007 AND 2006

FEDERAL CFDA NUMBER	FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	DECEMBER	
			2007 FEDERAL SHARE OF EXPENDITURES	2006 FEDERAL SHARE OF EXPENDITURES
	<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
	Passed through state:			
	Department of Social Services -			
	Office of Administration -			
10.665	Schools and Roads - Grants to States			175,084.08
	<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
	Passed through state:			
	Department of Economic Development -			
14.228	Community Development Block Grants		1,000.00	
	<u>U.S. DEPARTMENT OF JUSTICE</u>			
	Direct programs:			
	State Department of Public Safety -			
16.738	Special Investigator for Crime Against Children	2006-JAG-017	18,834.36	
16.738	Special Investigator for Crime Against Children	2006-JAG-020		18,594.47
16.579	Special Investigator for Crime Against Children	2004 NCD28-055	19,361.61	
16.579	Special Investigator for Crime Against Children	2004 NCD28-035		19,480.51
N/A	Victims Service Program	2007-SSVF-0091	15,917.83	14,683.21
N/A	Victims Service Program	2006-SSVF-0086		14,129.68
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/ Suppression Program		990.00	778.63
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants			1,727.63
	Cooperative Law Enforcement Agreement	02-LE-11090505-013		1,098.00
	<u>GENERAL SERVICES ADMINISTRATION</u>			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property		1,126.50	
	Passed through the Office of Secretary of State -			
39.011	Election Reform Payments			12,222.18
	<u>ELECTION ASSISTANCE COMMISSION</u>			
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments		1,374.33	176,934.56
	<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
93.617	HHS Polling Place Accessibility		10,550.40	
	<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
	Passed through State Department of Public Safety:			
97.036	Public Assistance Grants		117,693.08	279,916.24
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 186,848.11	\$ 714,649.19

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

1. Type of auditor's report issued: Qualified Cash Basis
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
 - b. Any significant deficiencies identified that
are not considered to be material
weaknesses? 2007 ☒ Yes ☐ None Reported
2006 ☒ Yes ☐ None Reported
3. Any noncompliance material to financial
statements noted? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No

B. FEDERAL AWARDS

1. Internal control over major programs:
Any material weakness(es) identified? 2007 ☐ Yes ☒ No
2006 ☐ Yes ☒ No
2. Any significant deficiencies identified that are
not considered to be material weaknesses? 2007 ☒ Yes ☐ No
2006 ☒ Yes ☐ No
3. Type of auditor's report issued on
compliance for major programs: 2007 Unqualified
2006 Unqualified
4. Any audit findings disclosed that are
required to be reported in accordance with
section 510 (a) of Circular A-133? 2007 ☒ Yes ☐ No
2006 ☒ Yes ☐ No

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS

A. FS 06/07-01

1. CRITERIA

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

2. CONDITION

During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

3. EFFECT

Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions which necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

5. RECOMMENDATION

Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

B. FS 06/07-02

1. CRITERIA

Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

2. CONDITION

Documentation of the County's internal controls has not been prepared.

3. EFFECT

The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

4. CAUSE

Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

5. RECOMMENDATION

We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

C. FS 06/07-03

1. CRITERIA

Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

2. CONDITION

During our audit, we noted there is no formal fraud risk assessment in place.

3. EFFECT

Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

4. CAUSE

Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

5. RECOMMENDATION

We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

6. MANAGEMENT'S RESPONSE

The County will consider the auditors' recommendation.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (continued)

D. FS 06/07-04

1. CRITERIA

The County did not maintain sufficient documentation for debt payments.

2. CONDITION

During our audit, we noted there is not sufficient documentation for debt payments.

3. EFFECT

Lack of documentation may result in inaccurate balances being budgeted for future expenditures.

4. CAUSE

The County did not receive proper amortization schedules to accurately report and budget debt expenditures.

5. RECOMMENDATION

We recommend that the County obtain sufficient documentation for all debt leases, notes, etc. to properly record and account for expenditures.

6. MANAGEMENT'S RESPONSE

The County is willing to obtain and maintain sufficient documentation for all debt payments in order to properly record and account for all future debt payments.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

II. FINANCIAL STATEMENT FINDINGS (concluded)

E. FS 06/07-05

1. CRITERIA

The County Sheriff's Department did not provide copies of bank statements and reconciliations for two accounts.

2. CONDITION

During our audit, we noted there is not sufficient documentation for two bank balances.

3. EFFECT

Lack of documentation may result in inaccurate cash balances.

4. CAUSE

The County misplaced bank statements and bank reconciliations.

5. RECOMMENDATION

Prepare monthly bank reconciliations and maintain documentation for five years.

6. MANAGEMENT'S RESPONSE

The County will consider the Auditor's recommendation.

III. FOLLOW-UP PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 05/04-01

Several weaknesses were noted with the county financial records including the County Clerk not maintaining an account book for all county funds and inadequate procedures to ensure the county's budget is accurate. Also actual disbursements exceeded budgeted amounts for several funds. Procedures were implemented to resolve these comments in the 2007 and 2006 year.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006

The following findings, recommendations, and questioned costs are the results of the single audit of Washington County, Missouri for the fiscal year ended December 31, 2007 and 2006. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. CATEGORY OF INTERNAL CONTROL WEAKNESS

If the finding represents a weakness in internal control, one of the following designations will appear:

1. SIGNIFICANT DEFICIENCY

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

2. MATERIAL WEAKNESS

A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. CATEGORY OF NONCOMPLIANCE FINDINGS

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. MATERIAL NONCOMPLIANCE

A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

2. QUESTIONED COST FINDING

A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING NUMBER</u>	<u>TYPE OF FINDING / QUESTIONED COSTS</u>	<u>FINDINGS AND RECOMMENDATIONS</u>
SA 06-07-1	97.036 U.S. Department of Homeland Security	Weakness in Control Over Expenditures In Compliance With Single Audit Requirements.
	90.401 Election Assistance Commission	The County did not properly maintain separate expense accounts to account for federal expenditures. To prepare the Schedule of Expenditures of Federal Awards (SEFA) report the County used revenues instead of expenditures. Because the program is reimbursement in nature, revenues equal expenditures.
	Other Information: Significant Deficiency	<u>Recommendation:</u> The County should track all federal expenditures in the general ledger system by adding a grant code at the end of the account code.
		<u>Agency Response:</u> The County agrees with this finding

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 06-07-2	97.036 U.S. Department of Homeland Security	Required contracting procedures not followed.
	90.401 Election Assistance Commission	The County does not have procedures in place to ensure that it does not contract with prohibited parties in administering federal funds. As a result, there is an increased risk of federal funds being spent in violation of grant requirements.
	Procurement and Suspension and Debarment: Significant Deficiency	The Commissioners did not check the Excluded Parties List System maintained by the General Services Administration to verify that parties it contracted with were not on the prohibited list. However, we did not note any instances where the Board actually contracted with prohibited parties.
		The OMB Circular A-133 Compliance Supplement and 41 CFR 105-71.135 prohibit entities from contracting with parties that are on the prohibited list.
		<u>Recommendation:</u> The Board should implement procedures to ensure that parties they contract with are not on the prohibited list.
		<u>Agency Response:</u> The County agrees with this finding

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (continued)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 06-07-3	97.036 U.S. Department of Homeland Security	Schedule of Expenditures of Federal Awards contained errors.
	90.401 Election Assistance Commission	Controls were not in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was prepared in accordance with federal requirements. The OMB Circular A-133 requires that the SEFA provide total federal awards expended for each individual federal program. It states that the determination of when an award is expended should be based on when the activity related to the award occurs, such as when the expenditure takes place.
	Other Information: Significant Deficiency	The Schedule of Expenditures of Federal Awards (SEFA) was prepared with various errors. These errors are described below:
		<ol style="list-style-type: none"> 1. The SEFA schedule contained several incorrect CFDA number for federal programs. 2. Expenditures listed on the SEFA schedule submitted to the State Auditors Office were incorrect. Revenue was used to prepare the SEFA instead of expenditures. Actual expenditures were not agreed to the general ledger. <p>A revised SEFA was submitted to the State Auditors Office, containing corrections for all errors described.</p>

THE COUNTY OF WASHINGTON
POTOSI, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 & 2006 (concluded)

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 06-07-3	97.036 U.S. Department of Homeland Security	<u>Recommendation:</u> The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.
	90.401 Election Assistance Commission	
	Other Information: Significant Deficiency	
		<u>Agency Response:</u> The County agrees with this finding.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

There were no prior year findings and questioned costs related to Federal Awards in accordance with Section .510(a) of OMB Circular A-133.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

August 14, 2008

To the County Commissioners
Washington County of Missouri

In planning and performing our audit of the basic financial statements of the Washington County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-04

Criteria: The County did not maintain sufficient documentation for debt payments.

Condition: During our audit, we noted there is not sufficient documentation for debt payments.

Effect: Lack of documentation may result in inaccurate balances being budgeted for future expenditures.

Cause: The Count did not receive proper amortization schedules to accurately report and budget debt expenditures.

Recommendation: We recommend that the County obtain sufficient documentation for all debt leases, notes, etc. to properly record and account for expenditures.

Management Response: The County is willing to obtain and maintain sufficient documentation for all debt payment in order to properly record and account for all future debt payments.

06/07-05

Criteria: The County sheriff's department did not provide copies of bank statements and reconciliations for two accounts.

Condition: During our audit, we noted there is not sufficient documentation for two book balances.

Effect: Lack of documentation may result in inaccurate cash balances.

Cause: The County misplaced bank statements and bank reconciliations.

Recommendation: Prepare monthly bank reconciliations and maintain documentation for five years.

Management Response: The Sheriff's department will consider the auditor's recommendation.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Washington County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Washington County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Washington County of Missouri are described in Note I to the financial statements. New accounting policies were adopted (GASB 34 and 37) during the year ended December 31, 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Susan Montee, CPA
Missouri State Auditor

SOCIAL SERVICES

Timeliness of Child Support Administrative Hearings



December 2008
Report No. 2008-88

auditor.mo.gov



Improvements Needed To Ensure Timely Child Support Administrative Hearings

The Department of Social Services, through its Division of Legal Services (DLS), has overall responsibility to provide timely administrative hearings for child support cases. From January 2006 through June 2008 the DLS received approximately 24,000 requests for child support hearings. Child support case parents may request administrative hearings to contest decisions made by the Family Support Division. Hearing requests may relate to establishing paternity, establishing child support, enforcing child support orders, or modifying child support obligations. Because of the importance of ensuring timely hearings, we focused audit objectives on determining (1) whether administrative hearings are scheduled, held, and completed in a timely manner, and (2) impediments that adversely impacted achieving timely completion of hearings.

DLS experienced significant delays completing hearings	Analysis of the DLS' database disclosed delays in completing hearings and rendering decisions have increased since 2006. In 2006 the length of time from the date the DLS received a hearing request to the date it mailed the decision averaged 4.6 months. In 2007, the length of time increased by an average of 2 months (43 percent) to 6.6 months, and for the first 6 months of 2008, the length of time increased again by .9 months (14 percent) for an average of 7.5 months. (See page 6)
Significant number of hearings in a pending status	As of June 30, 2008, the DLS had 7,388 hearings in a pending status, meaning either a hearing had not yet been scheduled or held, or a hearing had been held, but the decision had not been mailed. The 7,388 pending cases included 2,326 establishment cases, 1,834 modification cases, 2,983 enforcement cases, and 245 other types of cases. (See page 6)
Significant delays in rendering decisions	<p>The DLS has experienced significant delays in scheduling, completing, and mailing decisions for hearings that have been held. Of 7,388 pending cases DLS had:</p> <ul style="list-style-type: none">• 733 (10 percent) cases pending for 30 days or less• 850 (11 percent) cases pending from 31 to 60 days• 965 (13 percent) cases pending from 61 to 90 days• 1,017 (14 percent) cases pending from 91 to 120 days• 1,332 (18 percent) cases pending from 121 to 180 days• 2,041 (28 percent) cases pending from 181 to 365 days• 442 (6 percent) cases pending from 366 to 838 days (See page 7)

Workloads, staffing, and turnover contribute to delays and backlog	Increasing workloads, staffing issues, and staff turnover have contributed to delays in scheduling hearings and the backlog of unwritten hearing decisions. Hearing referrals increased significantly from January 2006 through June 2008, and the increased volume has resulted in delays in scheduling hearings of 4 to 5 months. The DLS has taken action to reduce the number of hearings held per day, however, reducing the number of hearings from five to four per day will likely increase the delay in holding hearings. At current staffing levels officials estimate it will take about 7 years to eliminate the current backlog of pending cases. (See page 8 and 10)
Outdated and inefficient procedures contribute to delays and backlog	DLS procedures have not always been efficient or effective. This situation has occurred, in part, because the DLS had not maintained up-to-date policies and procedures manuals. In June 2008, the DLS distributed manuals to both hearing officers and clerical staff. Prior to June 2008, officials relied on a training manual which contained policies and procedures; however, the training manual was not complete because it did not contain addendums or other changes and/or updates to policies and procedures. (See page 13)
Improvements needed in training	Discussions with hearing officers disclosed that 9 of 13 hearing officers (69 percent) believed they did not receive adequate training when they were hired. Training consisted of observing other officers conducting hearings, practicing writing hearing decisions based on observations, and asking questions of other hearing officers. (See page 16)

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Abbreviations

DLS	Division of Legal Services
DSS	Department of Social Services
FSD	Family Support Division
MACSS	Missouri Automated Child Support System
SAO	State Auditor's Office



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Deborah E. Scott, Director
Department of Social Services
Jefferson City, MO

The Department of Social Services, through its Division of Legal Services (DLS), has overall responsibility to provide timely administrative hearings for child support cases. From January 2006 through June 2008 the DLS received approximately 24,000 requests for child support hearings. Child support case parents may request administrative hearings to contest decisions made by the Family Support Division. Hearing requests may relate to establishing paternity, establishing child support, enforcing child support orders, or modifying child support obligations. Because of the importance of ensuring timely hearings, we focused audit objectives on determining (1) whether administrative hearings are scheduled, held, and completed in a timely manner, and (2) impediments that adversely impacted achieving timely completion of hearings.

Our audit disclosed the DLS has experienced significant delays in completing child support administrative hearings. This situation has occurred because of (1) increased workloads, staffing issues, and turnover of staff; and (2) outdated and/or inefficient procedures. In addition, the DLS has not ensured hearing officers and clerical staff have always been adequately trained.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer and key contributors to this report included Robert Spence, Brenda Richardson, and Amy Ames.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Department of Social Services (DSS), through its Division of Legal Services (DLS), has overall responsibility of providing timely administrative hearings when a parent¹ requests a hearing to contest child support decisions made by the Family Support Division (FSD).

FSD personnel maintain a case management and tracking system called the Missouri Automated Child Support System (MACSS). All information about child support cases is recorded on that system, including administrative hearing information. Parents on child support cases, through "due process," may request an administrative hearing. The request must be in writing. Parents requested administrative hearings on approximately 24,000 child support cases from January 1, 2006 through June 30, 2008.

Hearing requests may relate to establishing paternity, establishing child support, enforcing child support orders, or modifying child support obligations. Under certain circumstances, a child support obligation may be established, or a current obligation may be modified, administratively. Hearing decisions may change the amount of the obligation, impact enforcement, and affect arrears balances.

When child support enforcement² personnel receive a written hearing request, technicians must acknowledge receipt of the request within two working days, and must send the request to the DLS Child Support Hearings Unit no later than 10 calendar days after acknowledgment of receipt.³ The child support enforcement technicians are also responsible for recording the date the request was referred to the DLS on the MACSS.

When DLS personnel receive requests for administrative hearings, they record the referral on a DLS log. They schedule a hearing and record the hearing date on the DLS database. Notice of the hearing date and time is then sent to hearing participants. After the hearing has been held, the hearing officer writes a decision which is then reviewed by another hearing officer. Once a decision has been approved by the reviewer, it goes back to the hearing officer and the decision is mailed to the participants. In addition, DLS personnel are responsible for recording all other hearing information on the MACSS, and ensuring the accuracy and completeness of that information. Information recorded includes the date the referral was received, hearing date, decision date, hearing officer, hearing resolution, and

¹ Parents, as used in this report, are defined as a custodial parent, non-custodial parent, or legal guardian.

² The child support program is part of the Family Support Division.

³ Child Support Policy Manual, Chapter 1, Section II.

date the decision was mailed. See Appendices I and II for step-by-step processes.

The DLS has maintained a database containing information on child support administrative requests and hearings since 1996. As of June 30, 2008, the DLS had 76,302 hearing cases on its database. Of the 76,302 cases, approximately 7,388 were pending as of June 30, 2008.⁴

While there are no timeframes for scheduling hearings,⁵ DLS management has adopted timeframes for the review process and writing decisions once the case record is closed (after the hearing has been held). The timeframes are:⁶

- 15 days to write decisions for cases involving defaults, withdrawals, and agreements
- 60 days for cases involving all other contested decisions
- 3 days for reviewers to complete reviews of decisions written by other hearing officers

Scope and Methodology

To accomplish audit objectives, we conducted work at DLS offices in Jefferson City and Independence, Missouri.

We reviewed policies and procedures, and laws and regulations governing child support administrative hearings. We interviewed DLS hearing officers, clerical support staff, and executive management. We also reviewed DLS internal controls and procedures for processing administrative hearings.

To identify administrative hearing requests the FSD referred to the DLS, we obtained an automated file of child support IV-D cases⁷ with identification numbers and referral dates on or after January 1, 2006, as recorded on the MACSS at the end of business on May 7, 2008.

⁴When we use the term pending in this report, it refers to cases where a hearing request has been received and recorded on the database, but a hearing may or may not have been scheduled or held, and a decision has not been rendered.

⁵We found no federal regulations/guidelines on time frames applicable to the child support administrative hearing process.

⁶Officials included this guidance in a September 2008 update to the June 2008, Child Support Hearing Officer Manual.

⁷A IV-D case is a case where the custodial parent is receiving public assistance or applies for child support enforcement services pursuant to Title IV-D of the federal Social Security Act.

To identify administrative hearings recorded on DLS records, we obtained the DLS log of incoming hearing requests and the database containing administrative hearing records at the end of business on June 30, 2008.

We queried the DLS database to identify pending cases, decisions rendered, types of cases still pending, and when administrative hearings had been requested.

To determine whether administrative hearings had been scheduled for all hearing requests on the MACSS records and case information had been recorded on the DLS database, we conducted a data match of case identification numbers on the MACSS records to case identification numbers on the DLS database. For a sample of 133 of the 435 referrals not recorded on the DLS database, we manually compared the non-custodial parents' names on the MACSS to the non-custodial parents' names on the DLS database.

To determine the extent of hearing information recorded on the MACSS, we accessed hearing information records on the MACSS.

To determine the accuracy of totals of the progress of hearings, we obtained copies of the DLS' monthly production reports generated by personnel from the division's automated database.

To determine whether administrative hearings were scheduled and held in a timely manner, we randomly selected 50 administrative hearings from the MACSS database and judgmentally selected another 30 administrative hearings for testing from the universe of approximately 24,000 requests referred to the DLS for the period of January 2006 through June 2008. We used information in physical case files and data recorded on the DLS database to complete the testing.

To test the accuracy of the DLS' database records, we randomly selected 50 administrative hearings and traced 700 data elements from source records to the information recorded on the DLS database. We found that 97 percent of the data elements recorded on the DLS' database for these 50 cases agreed to the information on source documents.

Improvements Needed to Ensure Timely Administrative Hearings

Improvements are needed in the oversight of the DLS' administrative hearings of child support cases because the DLS has experienced significant delays in processing and completing administrative hearings. This situation has occurred, in part, because of (1) increased workloads, staffing issues, and turnover of staff and (2) outdated and/or inefficient procedures. In addition, the DLS has not ensured hearing officers and administrative staff have always been adequately trained. As a result of delayed hearings, a custodial parent may not be receiving child support payments and/or a non-custodial parent may be waiting for an adjustment in child support owed.

DLS officials distributed new policies and procedures manuals in June 2008. However, the manuals did not address procedural weaknesses subsequently found by SAO auditors. The DLS also has revised some procedures since June 2008 which, if fully implemented, should help reduce its current backlog of hearing cases.

DLS Experienced Significant Delays Completing Hearings

Our analysis of the DLS database disclosed delays in completing hearings and rendering decisions have increased since 2006. For example, in 2006 the length of time from the date the DLS received a hearing request to the date it mailed the decision averaged 4.6 months. In 2007, the length of time increased by an average of 2 months (43 percent) to 6.6 months, and for the first 6 months of 2008, the length of time increased again by .9 months (14 percent) for an average of 7.5 months.

Significant number of hearings pending

From January 2006 through June 30, 2008, the DLS received approximately 24,000 requests for administrative hearings, according to DLS records. As of June 30, 2008, the DLS had 7,388 hearings in a pending status, meaning either a hearing had not yet been scheduled or held, or a hearing had been held, but the decision had not been mailed. During the first 6 months of 2008, hearings had been requested for 4,586 (62 percent) cases, 2,733 cases (37 percent) in 2007, and 69 cases (.9 percent) in 2006 or earlier.

The 7,388 pending cases included:

- 2,326 establishment cases
- 1,834 modification cases
- 2,983 enforcement cases
- 245 other types of cases

Significant delays in
scheduling hearings
and completing decisions

The DLS has experienced significant delays in scheduling, completing and mailing decisions for completed hearings. As of June 30, 2008, DLS had:⁸

- 733 (10 percent) cases pending for 30 days or less
- 850 (11 percent) cases pending from 31 to 60 days
- 965 (13 percent) cases pending from 61 to 90 days
- 1,017 (14 percent) cases pending from 91 to 120 days
- 1,332 (18 percent) cases pending from 121 to 180 days
- 2,041 (28 percent) cases pending from 181 to 365 days
- 442 (6 percent) cases pending from 366 to 838 days
- 8 cases which could not be aged because the date the referral had been received had not been accurately recorded on the database

Of the 7,388 pending cases, 781 had not had a hearing scheduled, 4,201 had a hearing scheduled, but not yet held, and 2,406 had a hearing, but a decision had not been written and/or mailed.

Delays also occurred
after hearings held

Prior to August 2008, the DLS required hearing decisions to be written and mailed within approximately 30 days of the hearing. However, our aging of the 2,406 pending cases for which hearings had been held disclosed 1,582 (66 percent) decisions had not been sent within 30 days. For the 2,406 cases, the delays since case hearing dates and June 30, 2008, are as follows:

- 824 (34 percent) 30 days or less
- 473 (20 percent) 31 to 60 days
- 334 (14 percent) 61 to 90 days
- 293 (12 percent) 91 to 120 days
- 321 (13 percent) 121 to 180 days
- 159 (6 percent) 181 to 365 days
- 2 (1 percent) 366 to 735 days

Without impediments and
backlog, decisions could be
more timely

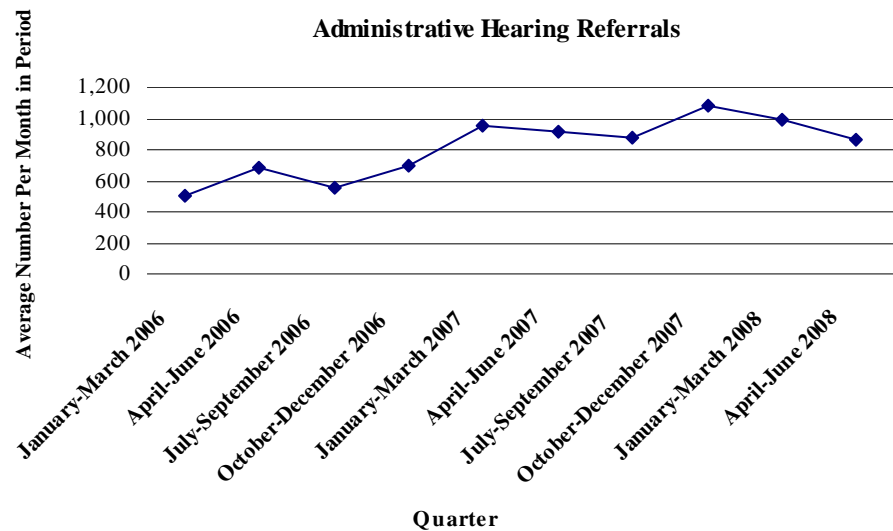
One official told us hearing decisions could be completed within approximately 45 days after a hearing if the current backlog of unwritten decisions did not exist, and if there were not impediments such as inadequate staffing, lost case files, and rescheduled hearings. In discussing timeframes, another official told us decisions could be completed and mailed within 60 days, and in August 2008, officials revised the required timeframe from approximately 30 days to 60 days.

⁸ For aging analysis, we used the date received by the DLS.

Workloads, Staffing, and Turnover Contribute to Delays and Backlog

Increasing workloads, staffing issues, and staff turnover have contributed to delays in scheduling hearings and the backlog of unwritten hearing decisions. For example, during 2006 the DLS received 7,341 referrals, or an average of 612 referrals per month. During 2007, the DLS received 11,484 referrals, an increase of 56 percent, or an average of 957 referrals per month. From January through June 2008, the DLS received an average of 930 referrals a month. Figure 2.1 shows the average change in referrals by quarter from January 2006 through June 2008.

Figure 2.1: Average Monthly Change in Referrals by Quarter From January 2006 Through June 2008



Source: SAO calculations using DLS data.

Increase in referrals results in hearing delays

As discussed, referrals for hearings have increased significantly from January 2006 through June 2008, and the increased volume has resulted in delays in scheduling hearings. Because of the increased volume of referrals for hearings, and other workload issues, DLS personnel have to schedule hearings 4 to 5 months in the future. For instance, DLS personnel scheduled administrative hearings in November 2008 for referrals received in June 2008.

Five hearings a day not realistic

Prior to September 2007, the DLS implemented a specialized docket for scheduling hearings, according to an official. A specialized docket is where the DLS schedules certain types of hearings for each hearing officer. For instance, a hearing officer could be scheduled to conduct only enforcement hearings, or a combination of hearings such as modification and establishment hearings. With the specialized docket, the DLS scheduled five

	<p>enforcement hearings per day for the hearing officers.⁹ However, conducting five hearings a day has not been realistic with current staffing levels, according to 11 of the 13 hearing officers. Instead, a more reasonable workload would be to conduct four hearings a day, which would allow hearing officers more time for writing decisions, as well as more time to review decisions written by other hearing officers, according to an official.</p>
Number of hearings reduced, but decisions will be delayed longer	<p>In September 2008, the DLS began scheduling four hearings a day, instead of five, in order to allow hearing officers more time to write decisions, according to one official. However, the official also acknowledged that reducing the number of hearings from five to four per day will increase the 4 to 5 month delay in holding hearings. Because of current scheduling delays, four hearings a day will not occur until January 2009.</p>
Significant backlog of pending cases with decisions not mailed	<p>As shown on page 7, as of June 30, 2008, the 13 hearing officers conducted hearings over 90 days earlier on 775 (32 percent) of 2,406 cases where hearings had been held, but the decisions had not been mailed. Six of the 13 hearing officers told us they worked nights and weekends writing hearing decisions to reduce the backlog of pending cases. For example, available time records disclosed 4 hearing officers worked an average of approximately 11 hours of overtime per month from January 2008 to August 2008. However, extended working hours has not enabled hearing officers to eliminate the backlog of unwritten decisions because of the increasing volume of hearings.</p>
Changes may help reduce delays	<p>According to another DLS official, other changes have been planned or implemented which may reduce delays in writing decisions. For instance, in June 2008 hearing officers were notified that beginning in November 2008 the DLS plans to allow each hearing officer to take one day every two weeks, where hearings will not be scheduled, to catch up on decision writing. The official also notified hearing officers that when a hearing does not take place as scheduled, hearing officers may use that time to write decisions instead of filling that time-slot with another hearing.</p>
Staffing changes or other options could help hearing officers expedite hearings	<p>Hearing officers expressed concerns regarding workload and the lack of staffing. For example, 4 of 13 hearing officers told us the DLS needs more hearing officers and/or clerical staff to handle the current workload. One hearing officer also told us the DLS should consider using law students as interns to help with enforcement hearings and/or decisions. According to the hearing officer, this could be done at little or no cost since the incentive for</p>

⁹ For the other types of hearings, such as establishment or modification, officials schedule only 4 hearings each day.

	<p>the law students would be the experience rather than the salary. In discussing the hearing officer's suggestion, an official told us using law students to assist on enforcement hearings and/or decisions would not be practical because of the time required to train them.</p> <p>Another hearing officer suggested the DLS delay previously scheduled hearings for a couple of weeks and devote that time to catching up on the backlog of unwritten decisions, which would help eliminate that backlog¹⁰ in a matter of weeks. The hearing officer told us some of the backlog includes cases from 2007, and he believes those parents deserve to get decisions expeditiously instead of enduring further delays.</p>
Backlog will take 7 years to clear with current staffing	<p>The DLS increased the number of hearing officers from 7 in June 2006 to 13 in June 2008. However, despite adding more hearing officers, internal reports disclosed the time to complete hearings and mail decisions continued to increase. In discussing workload issues, one official told us he would like to have more hearing officers so the DLS could increase the number of hearings held and decrease the time it would take to clear the backlog of pending cases. According to the official, with current staffing, hearing officers can reduce backlog by about 100 cases a month. At that rate it will take about 7 years to eliminate the current backlog of pending cases, according to the official.</p>
Assessment needed to determine clerical staffing needs	<p>According to one hearing officer and four of five clerical staff, additional clerks are needed to handle increased workloads and clerical duties. The DLS uses temporary workers to supplement clerical staff in order to get work done, according to an official. However, according to one clerk, the DLS needs to hire fewer temporary workers and hire more full-time clerical staff to eliminate constantly training temporary workers on how to do assigned work. In discussing this issue the official told us he would like to hire two more full time clerks.</p>
Clerks have many duties	<p>Discussions with clerical staff disclosed they have varying duties. Table 2.1 depicts examples of the duties of the five clerical staff.</p>

¹⁰ The backlog represents 2,406 cases where a hearing had been held but the decision had not been mailed.

Table 2.1: Examples Of Duties Of Clerical Staff

Duties Performed				
Clerk 1	Clerk 2	Clerk 3	Clerk 4	Clerk 5
Clerical for three hearing officers	Clerical for two hearing officers	Clerical for three hearing officers	Clerical for four hearing officers	Clerical for one hearing officer
Logs incoming hearing requests onto an electronic spreadsheet	Records case information onto the database after the hearing is scheduled	Re-schedules continuances/prints and mails those notices		Faxes/mail-checks fax machine once an hour. Opens mail three times a day.
May assist clerk 5 in updating the MACSS with decision information	Print/mail first hearing notices	Copies records in case files and sends to the hearing officer in the Independence office	Copies records in case files and sends to the hearing officer in the Kansas City office	Updates the MACSS once a hearing decision has been mailed and updates the MACSS with decision information

Source: Discussions with five clerks.

Workload includes hundreds of files and records

To illustrate the volume of work clerical staff may have on any given day, we counted records and files in clerical workspaces. We found the 5 clerks had a total of approximately 5,700 files and/or correspondence and miscellaneous records pertaining to pending or completed cases in their workspaces. For example, we found one clerk had 889 files and records in her workspace. Of these files, 689 required some action by the clerk. She identified the files and records, as follows:

- 16 cases with default decisions waiting to be written
- 42 decisions from 2 hearing officers waiting for the administrative assistant to make minor corrections
- 41 decisions needed to be mailed
- 38 cases with decisions that needed corrections to be made in the database
- 35 cases where the administrative assistant was unsure of what needed to be done
- 8 cases where parent requested the case to be withdrawn and the withdrawals needed processing
- 423 copies of original case files that had been sent to an out-of-town hearing officer
- 45 case files where the hearing had been continued, but not rescheduled, and notices not sent
- 20 unidentified cases left in the workspace by a predecessor
- 21 returned hearing notices that needed to be put in case files

-
- 200 completed cases that needed to be sent to storage (no further work required)

We also found another clerk with 582 case files on hand, as follows:

- 32 files that needed some type of action to be taken right away, but the clerk was not sure what action was needed
- 77 decisions that needed to be mailed
- 99 decisions that needed to be signed by a hearing officer
- 1 decision that needed to go to a reviewer
- 21 miscellaneous mail and faxed documents which needed to be put in case files
- 303 copies of original case files that had been sent to an out-of-town hearing officer
- 28 case files where the hearing had been continued, but not rescheduled, and notices not sent
- 18 returned notices that needed to be put in case files
- 3 case files waiting for additional required information before the decision can be written

Workload analysis needed

As discussed above, duties vary among the clerical staff and the workload includes handling hundreds of case files and/or correspondence. Sound business practices dictate that management determine optimum clerical workloads and balance workloads in order to achieve the most efficient flow of work.

In discussing workload issues, an official told us clerical workloads may be adjusted when someone is sick, on leave, or leaves the agency. The DLS has not conducted a workload analysis to determine the most effective workload distribution for clerical staff because the workload is constantly shifting among the clerks, according to another official.

Staff lack experience due to turnover

Discussions with hearing officers disclosed turnover for hearing officers has been high. For example, 7 of 13 (54 percent) hearing officers have been in their jobs less than 1 year, as of June 30, 2008. According to an official, high turnover also has been caused, in part, by increased workloads, low salaries, and inexperienced clerical staff.

One clerk told us the turnover for clerical staff has also been high. For example, we found the longest term of employment for clerks, as of June 30, 2008, has been approximately 18 months. According to an official, high turnover of clerical staff has been caused, in part, by increased workload and low pay. The official also told us clerical staff tend to move to higher paying jobs.

Outdated and Inefficient Procedures Contribute to Delays

The DLS procedures have not always been efficient or effective. This situation has occurred, in part, because the DLS had not maintained up-to-date policies and procedures manuals. In June 2008, the DLS distributed up-to-date manuals to both hearing officers and clerical staff. Sound business practices dictate management provide current and comprehensive written policies and procedures manuals for staff to follow and ensure that staff are aware of all guidance.

The DLS hired 7 of 13 hearing officers within the last year and, according to those hearing officers, they did not receive, nor were they aware of, any formal policies and procedures. Instead, they relied primarily on other hearing officers for instructions for processing hearing cases. One hearing officer employed by the DLS for over 10 years said he thought a manual had existed sometime in the past. Further review disclosed the hearing officers received a training manual in September 2007 that contained policies and procedures.

According to the five clerical staff, all of which have been employed 18 months or less, the DLS did not provide them with written procedures until June 2008. Prior to that time, they told us they generally received on-the-job training and were verbally told procedures.

Training manual used as policies and procedures manual

In discussing this issue, DLS officials told us a policies and procedures manual did exist and provided us with a training manual that included general policies and procedures. However, that manual did not include a comprehensive discussion of some policies and procedures. According to officials, the training manual was the only manual available that contained policies and procedures prior to the issuance of the June 2008 policies and procedures manual. However, the undated training manual was not complete because it did not contain addendums or other changes/updates to policies and procedures.

The DLS issued formal guidance in June 2008

The policies and procedures manuals the DLS distributed in June 2008 documented many of the procedures used by DLS personnel. According to officials, the new manual distributed to hearing officers had been a "work in progress" for approximately 2 years. Our review of the new manual disclosed it contained nine chapters covering a variety of subjects related to child support administrative hearings, guidelines and policies. For example, the June 2008 policies and procedure manual addressed, in part, the following:

- New employees will be given a copy of job expectations detailing what is expected in the performance of their job as a hearing officer

-
- Each hearing officer will be scheduled for 4 to 6 hearings per day¹¹ depending on the type of hearings they are holding in a given month
 - Notification of the administrative hearing must be mailed at a minimum of 10 days prior to the date of the hearing
 - Step-by-step instructions for conducting the hearing
 - All incoming faxes and mail must be processed and distributed the same day it is received

Our review of the policies and procedures manual for the hearing officers disclosed the DLS did not address certain procedures, discussed in the following sections, the lack of which contributed to problems we identified.

Lack of, or inefficient
procedures may contribute
to delays

In reviewing procedures used by personnel, and dates recorded on the DLS' database, we found hearings had not always been scheduled and delays in scheduling occurred. For example, in comparing case identification numbers on child support referrals to case identification numbers on the database, we found 435 referrals had not been recorded. Further manual review of 133 sampled cases disclosed 24 (18 percent) referrals had been made; however, hearings had not been scheduled or the case had been withdrawn.¹² This situation occurred because the DLS had not established procedures to reconcile incoming referrals to hearings recorded on the DLS database.

In discussing this issue, officials told us the referrals had not been recorded because of administrative errors and agreed that incoming referrals should be reconciled with hearings recorded on the database. One of the officials told us, "reconciliation is a good idea", and the division is developing procedures to reconcile the incoming referrals to scheduled hearings recorded on the database.

Delays occurred in
holding hearings

Our review of records for 80 child support hearing requests disclosed the DLS incurred significant delays in holding hearings on 27 cases (34 percent). Hearings were delayed primarily because personnel did not schedule the hearing in a timely manner or personnel had to reschedule a hearing because they did not notify one or more hearing participants of the date and time of the hearing. For example:

¹¹ In August 2008, the Deputy Director told us they will begin scheduling only four hearings per day for each hearing officer. We suggested an addendum be added to the new policy manual to reflect this and other changes.

¹² Of the 133 cases, we found 109 cases were not errors because 21 cases had been scheduled and recorded on the DLS database under another case number. For 88 cases, the hearing packet either had not been sent to the DLS or the request had been entered on the MACSS in error.

-
- The hearings on 20 cases had not been scheduled timely, with delays of 3 months to 19 months from the date the request was received to the hearing date. According to officials, the delays occurred because of administrative errors.
 - Hearings had to be rescheduled on 7 other cases because the DLS failed to notify one or more participants of the hearing date/time. The additional delays on these 7 cases ranged from 4 months to approximately 18 months. According to officials, these delays also occurred because of administrative errors.

No procedure to
account for case files

Officials could not produce the case files for 4 of 80 cases (5 percent). Sound business practices dictate the DLS establish and maintain internal controls over cases files. In discussing this issue, one official told us having a method to account for case files is important and there should be a standard procedure to do so.

One clerk accounts
for case files

One clerk told us she routinely accounts for case files assigned to her. According to the clerk, she pulls the files for the next week's hearings and puts them in date order. She then compares the parents' names on the files to names on hearings recorded on the scheduling book. If she cannot find information on the scheduling book, she asks the hearing officer about the files. If the hearing officer does not have the file, she then contacts other clerical staff to locate the file.

In discussing this issue, an official told us that while personnel may have their own personal case management tools, the division does not necessarily adopt them because the tools may not work well for other individuals.

Timeframes needed for
passing case files and
decisions

The DLS had not ensured decisions under review were passed on to the intended reviewer by clerical staff in a timely manner. For example, one hearing officer told us he may receive as many as 60 hearing decisions to review at one time. He believes these decisions are being delayed by clerical staff. Another hearing officer told us this is also a factor in delaying the completion and mailing of decisions.

In addressing this issue, a DLS official told us the division had not established timeframes for clerical staff in passing decisions and files under review. However, in August 2008 the DLS corrected this oversight and started requiring hearing officers to pass decisions under review directly to the intended recipient at the end of each day. In follow-up discussions with four hearing officers, all four told us they were not aware of this change even though officials sent an email, dated August 19, 2008, notifying all hearing officers of the change.

Inefficiencies exist in the intake process

In reviewing intake procedures, we found three clerks and a temporary worker handle hearing packets¹³ before the hearing officer receives the files. For example, one clerk responsible for recording case information on the DLS database does not record some needed information when she receives the hearing packet the first time. Instead, she only records names and addresses, then passes the packet to a temporary worker for additional processing. This worker then passes it back to the original clerk, at which time she records the hearing date and time. Because the hearing date is not recorded on the database at the same time the names and addresses are recorded, there is potential risk that hearing dates will not be recorded and notices will not be mailed timely when files are misplaced, forgotten or lost. (See steps 4 through 6 on Appendix I).

We discussed changes to the procedures of recording case and hearing information on the database with an official and suggested recording all information at one time before passing the file to the temporary worker. As a result of that discussion, officials told us they have changed intake procedures so that, as of September 2008, the data entry clerk will record all case information at the same time.

Improvements Needed In Training

Discussions with hearing officers disclosed that 9 of 13 hearing officers (69 percent) did not believe they received adequate training when they were hired. According to hearing officers, training consisted of observing other officers conducting hearings, practicing writing hearing decisions based on observations, and asking questions of other hearing officers. One of the hearing officers also told us he had been given statutes to review that governed child support law.

According to clerical staff, their training had been verbal, on-the-job training. They did not receive a policies and procedures manual until June 2008. For example, one clerk told us when she started working at the DLS she did not receive any job expectations or formal training. Instead, she said her training consisted of on-the-job training and her ability to ask questions. Another clerk, that started her position in mid-June 2008, told us she has approximately 2,700 final decisions to record on the MACSS. However, as of July 31, 2008, she had not received training on the MACSS, so decision information for those 2,700 hearings has not been recorded on the MACSS.

Sound business practices dictate that division officials provide an adequate

¹³ A hearing packet consists of documents and records child support personnel prepare and send to the DLS when an administrative hearing is requested.

training program for employees. In discussing training for hearing officers, an official provided information which showed one official had been in charge of training new hearing officers during 2007, and set up a training program for the division. However, that individual left the DLS in November 2007, and the training responsibility was transferred to another official that relied more on informal training. For example, new hires would read statutes, practice writing decisions, and observe actual hearings. In March 2008, officials decided to start a mentoring program in which new hearing officers were assigned to more experienced hearing officers for guidance and questions.

Conclusions

The DLS has not ensured child support administrative hearings have been scheduled, held, and completed in a timely manner. The DLS workload has increased significantly since 2006 and at current staffing levels, DLS personnel have not kept up with the workload or significantly reduced the backlog of unwritten decisions. As a result, parents who requested administrative hearings are currently waiting 4 to 5 months for a hearing to occur and, in some cases, over 2 years for the written results of the hearings. Therefore, a custodial parent may not be receiving child support payments and/or a non-custodial parent may be waiting for an adjustment in child support owed. In September 2008, the DLS reduced the number of scheduled enforcement hearings from 5 to 4 a day for hearing officers which should allow hearing officers more time to write decisions. However, that action will likely result in further delays before hearings can occur.

Although the DLS has increased the number of hearing officers since 2006, the time to complete hearings and mail decisions has increased. DLS personnel and officials believe more hearing officers and clerical staff are needed. However, officials may not have adequately considered other options suggested by staff that could possibly help in coping with the increased workload.

Personnel and officials recognize the workload for clerical staff has increased and rebalance workloads when clerks are not available or leave employment. Officials also use temporary clerks to supplement clerical staff and want to hire two additional clerks. However, officials have not conducted a workload analysis for clerks in order to determine all duties clerks perform. The analysis could be used to determine whether additional changes should be made to ensure uniform and efficient procedures are in place and/or whether additional clerks are needed.

The lack of updated, formal policies and procedures manuals for hearing officers and clerical staff has also contributed to the DLS' inability to conduct and complete administrative hearings in a timely manner. Prior to

June 2008, officials assumed hearing officers were aware of policies and procedures contained in a training manual. However, hearing officers generally were not aware that document served as a policies and procedures manual. The DLS updated and distributed policies and procedures manuals in June 2008. However, those procedures did not address some weaknesses noted during our audit. We also found the DLS has not established formal procedures to account for case files and as a result, case files have been lost and hearings delayed or not held. All changes to policies and procedures should be incorporated in the DLS manuals for future reference.

The DLS also needs to improve its training program. The DLS should evaluate its informal training program and establish a formal training program. Doing so would help ensure personnel know procedures and processes used by the DLS and help ensure more timely processing of administrative hearing requests.

Recommendations

We recommend the Director of the Department of Social Services:

- 2.1 Evaluate staffing levels needed, methods to reduce employee turnover, and other options suggested by DLS staff, to improve the overall timeliness of the hearing process and eliminate the backlog of pending cases.
- 2.2 Establish timeframes for scheduling hearings.
- 2.3 Conduct a workload analysis of clerical duties in order to ensure all duties and activities are identified and to establish appropriate clerical staffing levels.
- 2.4 Ensure all procedures are included in policies and procedures manuals and establish formal procedures to account for case files.
- 2.5 Evaluate methods to improve training and develop a formal training program for personnel.

Agency Comments

The Department of Social Services provided the following response:

2.1 *The department agrees with the auditor's recommendation.*

As the auditor noted, the number of requests to the DLS for child support hearings has increased in recent years. In response, the department more than doubled the number of hearing officers dedicated to holding child support hearings.

What is not clearly set out in the audit is that in addition to holding child support hearings, the hearing officers must write a legal decision in each case and review an almost equal number of decisions written by other hearing officers. The decisions rendered by the hearing officers are equivalent in nature to judicial decisions issued by a court, and therefore, each hearing officer must engage in substantive legal analysis. Just as the legal decision is important, having each decision reviewed prior to its being issued is necessary to the process of ensuring correct and accurate decisions. The review process helps to ensure the integrity of the entire process and results in a very low number of the decisions being rejected by the courts.

Turnover has hindered progress in addressing the backlog. As the auditor notes, there was a turnover rate of 25 percent between June 2006 and September 2007. Not only does turnover disrupt scheduling and delay the completion of hearings, productivity suffers from resources being diverted to the recruiting, hiring and training process. Newly hired attorneys need time for their productivity to increase to that of their experienced peers.

Starting salaries are modestly competitive with other state agencies, and are well behind compensation offered in the private sector. In short, often young attorneys hired into the DLS can parlay their experience into more attractive employment opportunities outside of the department. The DLS has implemented flexible work scheduling for its hearing officers to allow them to better balance the unique demands of managing a hearing docket and rendering decisions. It is hoped that this will be seen as an attractive benefit to hearing officer employment, as well as a tool that will help hearing officers manage their dockets more efficiently.

Promoting efficient workflow processes increases productivity, reduces stress caused by backlogged schedules and reduces turnover through increased job satisfaction. The DLS has conducted various workflow analyses over the past two years, but will conduct another thorough work flow analysis to recommend changes that will optimize efficient handling of the large number of hearing requests, cases opened, hearings held and decisions written, reviewed and issued.

Today, the DLS has a cadre of skillful and capable attorneys under a new management and team structure, supervised by new managers. These teams are making steady progress towards reducing the backlog created by the significant increase in the number of cases. The turnover that accompanied the increase in caseload has moderated, although it

remains a condition that must be carefully managed. Productivity across the unit is increasing and is well positioned to take maximum advantage of the workflow improvements we expect to discern from the workflow analysis.

2.2 The department agrees with this recommendation and the DLS already implemented this as of July 2008. Guidelines have been set and are being used by staff responsible for scheduling.

2.3 The department agrees with this recommendation. As noted in our response to recommendation 2.1, a workflow analysis will be included in every aspect of the hearing process, including all clerical functions as recommended.

2.4 The department agrees with this recommendation. The DLS has a current procedures and training manual for all positions (attorneys and clerical). The DLS has also established set procedures for updating the manual as necessary.

Ongoing improvements in procedures for managing case files will be incorporated into the manual as appropriate.

2.5 The department agrees with this recommendation. The DLS presently trains its hearing officers and support staff by use of the following methods:

HEARING OFFICER TRAINING

The first step is to provide the new hearing officers a copy of the Child Support Hearing Officer Manual, which they are to read and review. This provides a general overview of the Administrative Hearings Section. Additionally, new child support hearing officers are provided copies and cites to the applicable Missouri statutes, as well as the templates used for all of the different types of hearings conducted. New hearing officers are instructed in the reading, reviewing and comprehension of the Directions, Comments for Use and Examples for Completion of Form No. 14. (Child Support Guidelines issued by the Missouri Supreme Court). New hearing officers are trained in the use of all applicable computer programs and equipment, such as the headset and digital recorder necessary to conduct and write hearing decisions.

To further facilitate the new hearing officer's understanding of the position, each is assigned a mentor to whom questions can be asked regarding all applicable aspects of the position. The mentor is one of the more experienced hearing officers in the office. New hearing

officers observe their mentor's hearings and assist them in reviewing and writing decisions in order to gain an understanding of the process. When the new hearing officers begin to conduct their own hearings, they can bring questions or issues to their mentor, as well as the managing attorneys.

New hearing officers also observe other hearing officers' hearings to see the different approach and styles taken regarding hearings. New hearing officers observe hearings for at least two weeks before they conduct their own. Also, before beginning to conduct their own hearings, new hearing officers are required to read and review several decisions written by other hearing officers for content and style to gain an understanding of how decisions are written. When hearing officers begin to conduct their own hearings, they begin gradually with only one hearing per day for the first week. As they gain confidence and experience, new hearing officers move to two per day, then three, and finally a full docket of four hearings per day. The DLS's annual Continuing Legal Education offerings include job specific offerings on all subjects, such as court cases, legislative changes, and changes to the hearing process.

SUPPORT STAFF TRAINING

Presently, new members of the support staff (clerical) are presented with the child support manual designed for the support staff to read and review. They are presented a form for his or her signature stating that they have been given the manual and have read it. The manual remains available to all clerical for purposes of reference and review.

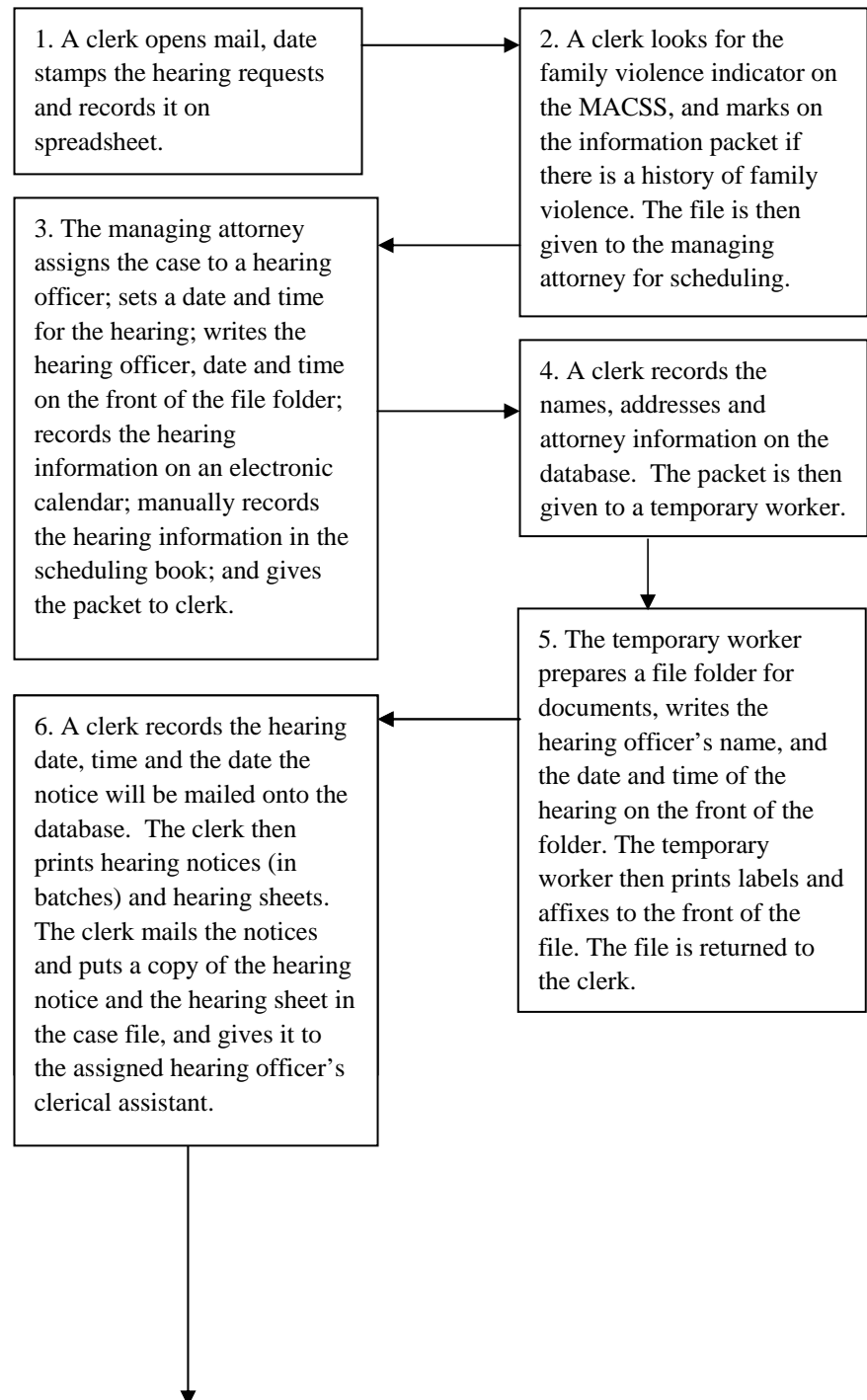
The clerical is assigned a mentor (another member of the support staff) with whom to train. The new worker will shadow the mentor for two days. During this two day period, the mentor will train him or her on typing decisions, answering telephones, mailing decisions, logging data into the database, filing, typing and reviewing transcripts. Due to the nature of the work, this is on the job training. The Administrative Office Support Assistant (supervisor) oversees the entire process and routinely checks for progress and offers assistance whenever needed.

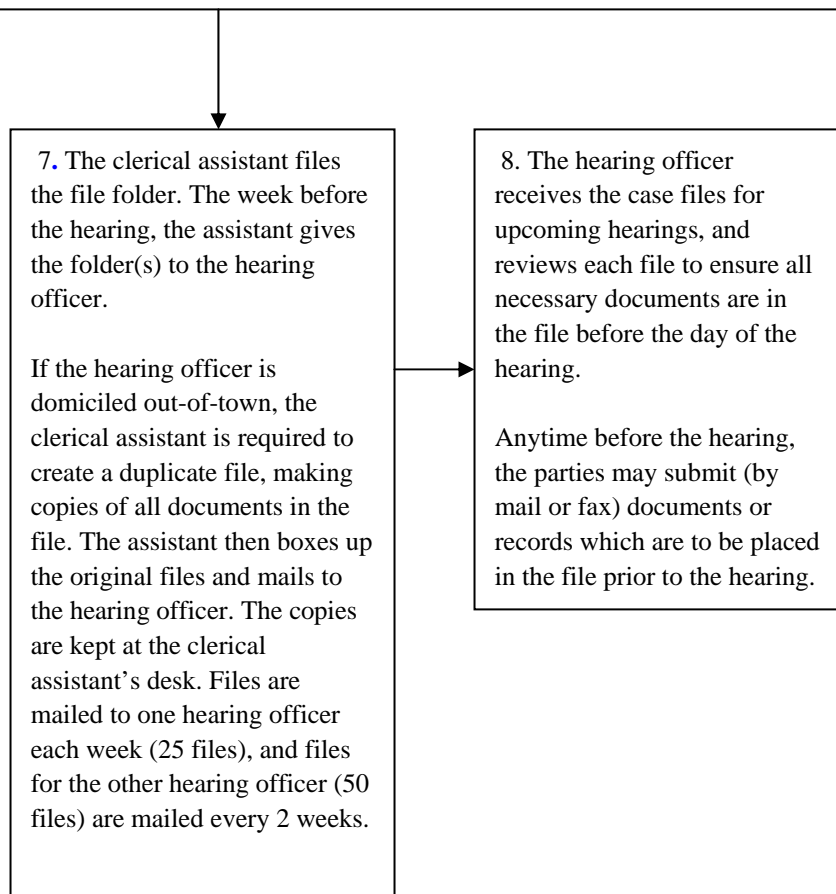
The new worker is also being sent to formal training in areas where they need to improve their technical skills, as may be identified by the mentor and the supervisor. In addition, there is formal training in the use of any computer equipment or systems necessary for their job performance and training in any automated systems used to gather and record data and case records.

Flowchart of Intake Process

Figure I.1 depicts the DLS's intake process once child support enforcement staff record a parent's request onto the MACSS, gather applicable records, and mail the DLS a hearing packet of records.

Figure I.1: Flowchart of Intake Process



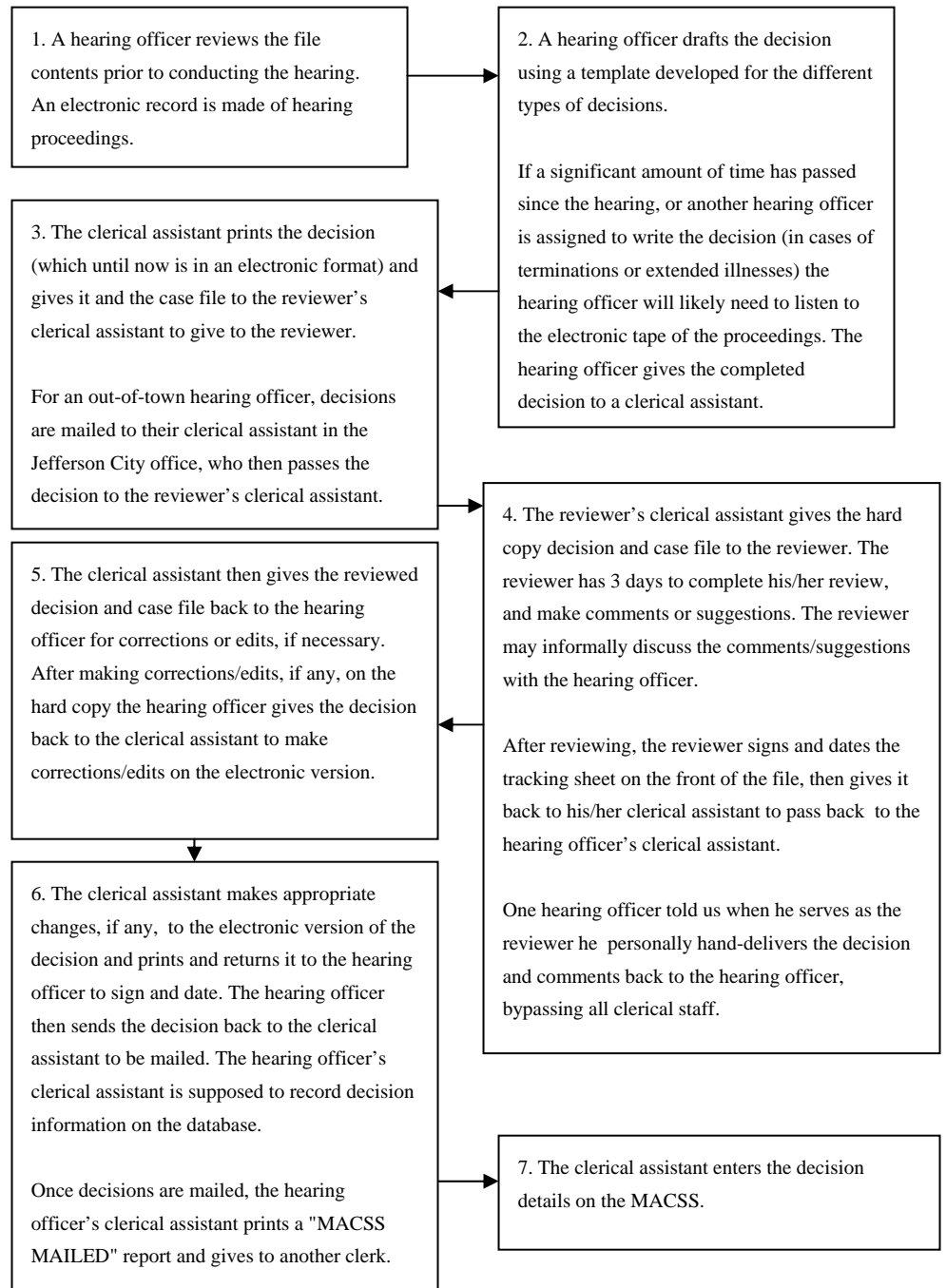


Source: Flowchart developed based on discussions with DLS personnel.

Flowchart of Processes Used From the Hearing Date to the Date the Decision Is Mailed

Figure II.1: Flowchart of Processes Used From the Hearing Date to the Date the Decision Is Mailed

Figure II.1 depicts the flow of processes used from the hearing date to the date the DLS' decision is mailed.



Source: SAO flowchart based on discussions with DLS staff.



Susan Montee, CPA
Missouri State Auditor

Seventh Judicial Circuit

City of Pleasant Valley Municipal Division



December 2008
Report No. 2008-87

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

An audit was conducted by our office of the Seventh Judicial Circuit, city of Pleasant Valley Municipal Division.

Neither the Court Administrator nor the police department account for the numerical sequence of traffic tickets issued. In addition, the bond safe is not permanently affixed to the wall or floor and can be easily carried from one location to another. Some tickets were voided by the Police Chief without maintaining an affidavit documenting the reason for this action and some tickets appear to have been voided by the Police Chief after being submitted to the court. Adjustments to bond amounts by police officers are not always approved by the Municipal Judge or Police Chief.

Deposits are not made timely and receipts totaling \$747 received by the municipal division in May 2007 could not be traced to a deposit. The court does not maintain its own bank accounts, but instead transmits collections to city personnel for deposit. Receipts slips are not issued to court personnel when monies are transmitted, so it is unclear whether the missing monies were transmitted to the city for deposit. Non-monetary transactions are not adequately reviewed and there are no procedures in place to ensure all non-monetary transactions posted to the system were authorized by the Judge. Numerous concerns related to receipts of the municipal division were noted, including receipts slips not issued for some monies received, lack of a comparison of the composition of receipts to deposits, and issuing receipts slips for less than the amount actually received. Additionally, some employees that collect monies are not bonded and checks and money orders are not restrictively endorsed upon receipt. Bond open item listings are not reconciled to the bond bank account balances. The court maintains two bank accounts for bonds, which totaled \$15,605 at March 31, 2008, while the balance of the open items listing only identified \$8,843 in open bonds.

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YELLOW SHEET

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Pleasant Valley, Missouri

We have audited certain operations of the city of Pleasant Valley Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.
3. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent

person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Pleasant Valley Municipal Division of the Seventh Judicial Circuit.

A handwritten signature in black ink, reading "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
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In-Charge Auditor:	Julie Moulden

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Ticket and Bond Accountability
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The Court Administrator and police department do not account for the numerical sequence of traffic tickets issued. In addition, the bond safe is not adequately secured, procedures regarding the handling of void traffic tickets need improvement, and adjustments to bond amounts by police officers are not always approved by the Municipal Judge or Police Chief.

- A. Neither the Court Administrator or police department accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The Court Administrator maintains a log of ticket books assigned to officers and posts tickets issued to the court's computer system. However, the police department does not keep records of tickets issued and no report is generated from the court's computer system and reviewed to account for the numerical sequence and ultimate disposition for each ticket issued.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. In addition, a record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

- B. The bond safe is not permanently affixed to the wall or floor and can be easily carried from one location to another. Further, the safe is located in an open area in the police department where it is accessible to others and could be stolen. Officers drop cash bonds received after hours into the safe where they are stored until court personnel retrieve them. This safe was formerly located in the dispatch area of the police department but was moved to an unsecured area within city hall where it was accessible to the public.

To reduce the risk of loss, theft, or misuse of funds, the Court Administrator should ensure the bond safe is adequately secured.

- C. Some tickets were voided by the Police Chief without maintaining an affidavit documenting the reason for this action and some tickets appear to have been voided by the Police Chief after being submitted to the court. Issued tickets, as well as tickets voided by an officer, are submitted by officers to the Police Chief prior to their submission to the court for processing. Numerous tickets were voided without a reason documented and several voided tickets were not signed

by the Police Chief acknowledging his approval. Additionally, instances were noted where tickets were voided by the Police Chief after their submission to the court, and in some instances, after the ticket was signed by the Prosecuting Attorney.

To ensure the proper disposition of tickets issued by the police department, supporting documentation to evidence the reason for voiding a ticket, as well as approval by the Police Chief, should be maintained. Additionally, tickets should not be voided by the Chief once they have been submitted to the court for processing.

- D. Adjustments made to bond amounts are not properly authorized or adequately documented. Bond amounts for each offense are established by the Municipal Judge in a court order. The majority of bonds are collected by the police department. The Municipal Judge has adopted a policy where he is to be contacted when an adjustment to a bond amount is made by an officer. The policy indicates the Police Chief is to be contacted for approval if the Judge is not available. We identified several instances where a cash bond was required but the defendant was released on a signature bond and there was no evidence to indicate the Judge or Chief approved such action.

Proper approval/authorization and adequate documentation which fully explains the reason for adjustments to bond amounts are necessary to ensure bond receipts are properly collected, recorded, and transmitted to the court, and to reduce the risk of misstatement or misappropriation.

WE RECOMMEND the city of Pleasant Valley Municipal Division:

- A. Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.
- B. Ensure the bond safe is adequately secured.
- C. Work with the police department to ensure all voided tickets are approved by the Police Chief and the reason for voiding the ticket is properly documented. Additionally, tickets should not be voided once submitted to the court.
- D. Work with the police department to ensure proper approval/authorization is obtained and documented for adjustments to bond amounts.

AUDITEE'S RESPONSE

The Municipal Judge responded:

Implemented.

The Police Chief responded:

- A. I have written and implemented a Standard Operating Procedure to ensure that tickets are properly accounted for.*
- B. The bond safe has been bolted down and secured.*
- C. I have written and implemented a Standard Operating Procedure to ensure that voided tickets contain an affidavit with the reason for the void and that the Prosecuting Attorney is the only one who can void a ticket that has been turned over to the court.*
- D. I have written a Standard Operating Procedure that covers the Judge's policy regarding bond adjustments.*

2. Court Controls and Procedures

Receipts totaling \$747 were received by the municipal division in May 2007, but were not deposited. In addition, deposits are not made timely and non-monetary transactions are not adequately reviewed. Numerous concerns related to receipts of the municipal division were noted, including receipt slips not being issued for some monies received and the lack of a comparison of the composition of receipts to deposits. Additionally, bond open-item listings are not reconciled to the bond bank account balance.

- A. It appears some court monies were not deposited and deposits of court monies are not made on a timely basis. Some monies received by the court during May 2007 were not deposited to a city account and apparently are missing. Monies received on May 5 and 6, 2007 (receipt numbers 19237 through 19243), totaling \$747, were posted to the accounting system and recorded on deposit slips, but could not be traced to deposits in city bank accounts. The court does not maintain its own bank accounts, but instead transmits collections to city personnel for deposit. Receipt slips are not issued to the court personnel when monies are transmitted to the city and, therefore, it is unclear whether these missing funds were actually transmitted to the city. In addition, there were several instances in which deposits were made one to two weeks after it appears the monies were transmitted.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. To ensure all court funds are properly deposited, court personnel should either consider opening their own court controlled accounts for the deposit of daily collections or obtain documentation of transmittal of funds to the city. Court and city personnel should continue to investigate these missing funds.

- B. Adequate oversight of non-monetary transactions posted to the court accounting system is not provided. The court has numerous older tickets which have not been posted to its new accounting system. A warrant has been issued for the

majority of these older tickets due to payment not being made in full or a probation violation. The court is in the process of going through these old tickets and posting them to the new accounting system. In order for the amount actually due on these tickets to be accurately reflected in the new system, the Court Administrator and/or other court personnel have to record a non-cash payment in some instances. While these transactions have apparently been verbally authorized by the Municipal Judge, there is no documentation of this approval. To ensure all non-monetary transactions posted to the system have been authorized, each transaction posted should be reviewed and approved by the Judge or an independent person.

Internal controls should provide a reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of posting non-monetary transactions from receipting and recording monetary transactions. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of non-monetary transactions.

C. Numerous concerns were noted related to the handling of receipts:

1. Receipt slips are not issued for some monies received. Payments received by the court for amended tickets that have yet to be approved and signed by the Prosecuting Attorney are not receipted or posted to the computer system when received. The Court Administrator indicated these payments are held by court staff until the Prosecuting Attorney approves the amendment. If not approved, the money is returned to the defendant. During a cash count on April 1, 2008, three checks totaling \$600 and dated March 25, March 28, and April 1, were on hand for violation amendments that were not receipted or posted to the system.

To ensure all monies collected are ultimately recorded and deposited, the city should issue prenumbered receipt slips for all monies received.

2. The composition of receipt slips issued is not reconciled to deposits by court personnel or the city, and some receipt slips are issued for less than the amount actually received. Differences were noted in the composition on 5 of 10 deposits tested, and on one of these 5 the total deposited exceeded the amount receipted by \$25. Court monies are deposited by city personnel into several city bank accounts. For some deposits tested, the city obtained cash back from deposits to certain accounts in order to deposit the appropriate amount of money into other accounts. In addition, the court's computer system requires staff to enter the amount due, rather than the amount actually received. As a result, a check received for \$150 was receipted for only \$125 (the amount due) and the deposit amount exceeded the receipted amount by \$25.

To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of receipt slips issued should be reconciled to bank deposits by an independent person. Depositing court monies into an account controlled by the court and then making monthly distributions to the various entities, including the city, would help to alleviate some of these deposit concerns.

3. The police department employees collect bond monies; however, these employees are not bonded. Bond monies received during fiscal years 2007 and 2006 were \$31,228 and \$39,975, respectively. Failure to properly bond all persons with access to assets exposes the city to the risk of loss.
4. Checks and money orders received by the court are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. While bank reconciliations for the two court bond accounts are prepared, they are not reconciled to the listing of open items (liabilities). At March 31, 2008, the total balance of the old and new bond accounts was \$15,605. Open cash bonds per the listing at March 31, 2008, were \$8,843, leaving an unidentified cash balance of \$6,762. In addition, copies of the reconciliations prepared by the city for the bond, fine, Peace Officers Standards and Training (POST), and Judicial Education Fund (JEF) accounts are not always provided to the court.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors to be corrected on a timely basis. An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid to the city treasury as provided by Section 479.210, RSMo. For any bonds which remain unclaimed, Section 447.595, RSMo, requires bonds unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

To ensure the court's records agree to the monies in the bank, the court should require a copy of all bank reconciliations involving court accounts be provided to the Court Administrator or should consider opening its own accounts.

Conditions similar to A and D were noted in our prior audit of the city.

WE RECOMMEND the city of Pleasant Valley Municipal Division:

- A. Ensure receipts are deposited intact daily and investigate the missing \$747. In addition, the Court Administrator should ensure documentation is received from the City Clerk upon transmittal of monies.
- B. Ensure a documented review and approval is performed of non-monetary transactions by the Judge or an independent person.
- C.1. Ensure receipt slips are issued for all monies received for the actual amount received.
 - 2. Ensure the method of payment recorded on all receipt slips is reconciled to deposits. Any differences noted should be investigated.
 - 3. Ensure police department employees handling court funds are adequately bonded.
 - 4. Restrictively endorse checks immediately upon receipt.
- D. Prepare and reconcile a monthly listing of open items to the balance in the bond accounts. The Court Administrator should work with the City Clerk to investigate and resolve the outstanding balance in the bond accounts. For those bonds for which the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law. In addition, the court should obtain a copy of the bank reconciliation for each court account monthly from the city.

AUDITEE'S RESPONSE

The Municipal Judge responded:

- A. *Effective January 1, 2009, receipts will be deposited intact daily. We are unable to do anything further to locate the missing \$747. We have implemented obtaining documentation from the City Clerk upon the court transmitting monies to the City Clerk for deposit.*
- B, C.1,
&C.4. *Implemented.*
- C.2
&D. *Partially implemented. We will completely implement by January 1, 2009.*
- C.3. *We have made a request to the Board of Aldermen for the city to have this implemented.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Pleasant Valley Municipal Division of the Seventh Judicial Circuit on findings in the Management Advisory Report (MAR) of our prior audit report of the city of Pleasant Valley issued for the year ended June 30, 2005.

The prior recommendations which have not been implemented are repeated in the current MAR.

8. City of Pleasant Valley Municipal Division

- A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.
- B. Monies collected by the municipal division were not deposited on a timely basis.
- C. The monthly listing of open items (liabilities) prepared by the court clerk was not reconciled to the bond bank account balance maintained by the city clerk's office. As of June 30, 2005, the open items listing, totaling \$21,539, was approximately \$2,200 less than the bond bank account balance. It appears that some of the excess funds in the bank account were interest earned.
- D. Although bond forms are prenumbered, neither the police department nor the municipal division accounted for the numerical sequence of bonds forms issued. Also, the police department did not maintain a log of the bonds collected.

Recommendations:

The City of Pleasant Valley Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court monies, to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the recordkeeping functions should be established.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Reconcile the monthly open items listing to the bond account bank balance. In addition, the court clerk should attempt to identify to whom the \$2,200 belongs and disburse the funds appropriately. If this cannot be determined, the excess monies should be turned over to the state's Unclaimed Property Section in accordance with state law.

- D. Work with the police department to ensure a bond log is maintained and the numerical sequence of all bond forms issued is accounted for properly.

Status:

- A. Implemented.
- B. Partially implemented. While the court administrator transmits receipts daily to the city clerk, the city clerk does not deposit these monies daily. See MAR finding number 2.
- C. Not implemented. See MAR finding number 2.
- D. Partially implemented. While a bond log is maintained in numerical sequence for Pleasant Valley bonds; bonds collected on behalf of other political subdivisions are not recorded on a log. Although not repeated in the current MAR, this recommendation remains as stated above.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Pleasant Valley Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Rex Gabbert serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	Edward Coulson *
Court Administrator	Vacant **

* Resigned in July 2007 and was replaced by Michael Svetlic.

** Rebecca Bounds was hired in July 2007 to replace Carol Thompson, who had served as court clerk from July 2005 to May 2007.

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$280,760	\$243,360
Number of cases filed	2,415	2,469



Susan Montee, CPA
Missouri State Auditor

Stone County



December 2008
Report No. 2008-86

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Stone, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Disbursements totaling \$1,490 from the Help America Vote Act grant were not supported by adequate documentation. Voting equipment costing \$4,054 purchased with these grant funds was not included on the county's capital asset records. Additionally, the county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA) prepared and submitted to the State Auditor's Office as a part of the county's annual budget. The county's SEFA for the years ended December 31, 2006 and 2005, contained several errors, and total expenditures were understated by approximately for \$20,750 and \$219,950 for 2006 and 2005, respectively.

At least \$17,800 has been misappropriated from the Prosecuting Attorney's office during the three years ended December 31, 2007. Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures, and while the Prosecuting Attorney responded in the 2002 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved. Our review identified numerous control and procedural weaknesses including questionable delays in some monies being deposited. The inadequate segregation of accounting duties and poor controls have led to the misappropriations.

The Sheriff's bookkeeper approves payments to herself for the preparation of prisoner meals and there is no evidence in the County Commission meeting minutes to indicate the County Commission was involved in the bid process for these services. As a result, there is an appearance of a conflict of interest related to the \$113,000 paid for prisoner meals during 2007.

The County Commission did not solicit proposals or document its selection process for engineering services related to the planning and zoning department. Additionally, concerns were identified with disbursements for Christmas lights from the Collector's Tax Maintenance Fund, travel expenses from the Sheriff's Law Enforcement Civil Fee Fund, and various expenses from the County Clerk's Election Services Fund. Further, the personal use of county cellular phones is not always reimbursed to the county.

(over)

YELLOW SHEET

Several weaknesses exist over the county's property tax system. The accuracy of the tax books is not verified, some changes to the tax books are not approved by the County Commission, and the county's property tax system does not adequately track all changes made to the system. Further, other improvements are needed over the reporting of property tax information.

Budgets for some county funds contained misclassifications and errors or were incomplete, actual disbursements for some funds exceeded budgeted disbursements, and the published financial statements did not include the activity of some funds. In addition, there is no detailed plan to utilize the \$325,000 that has accumulated in the Recorder User Fee Fund, and an annual maintenance plan for the county roads and bridges has not been prepared.

As of December 31, 2007, over \$300,000 is owed to the county's General Revenue Fund by the Black Oak Mountain Resort NID because adequate assessment revenues are not collected from landowners to fund the NID bond payments. According to county budgets the amount owed is anticipated to exceed \$400,000 by the end of 2008.

The county purchased approximately \$730,000 in bulk fuel during the two years ended December 31, 2006, and does not have procedures in place to compare these purchases to the amount of fuel used. Additionally, mileage records maintained for road and bridge vehicles do not differentiate mileage for employee commuting purposes, and mileage logs are not maintained for a county vehicle driven by the Prosecuting Attorney and his staff.

Poor reconciliation procedures of the Sheriff's bank account has resulted in the overpayment of fees and a negative bank account balance. Additionally, better controls are needed over cash receipts collected at various locations within the Sheriff's Department. Bookkeeping duties are not adequately segregated, and fees were not timely and accurately turned over to the County Treasurer.

Budgets did not accurately reflect the Emergency 911 Board's actual financial condition, actual disbursements exceeded the budgeted amounts, and published financial statements did not comply with state law. Additionally, vehicle mileage logs are not reconciled to fuel purchases, and gift cards were purchased to buy fuel at a discount; however, supporting documentation was not maintained to document how the gift cards were used.

Also included in the report are recommendations related to payroll and personnel procedures, capital assets, closed meetings, and the Circuit Clerk, Public Administrator, County Treasurer, Assessor, and Senior Citizens Service Board.

All reports are available on our Web site: www.auditor.mo.gov

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Stone County

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Stone County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Stone County, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stone County, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 16, 2008, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Stone County and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

June 16, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	Candi Copley
	Michelle Crawford
	David Olsen



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Stone County

We have audited the financial statements of various funds of Stone County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Stone County, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Stone County are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Stone County to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Stone County, federal awarding agencies and pass-through entities, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

June 16, 2008

Financial Statements

Exhibit A-1

STONE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,279,690	6,835,585	6,940,479	1,174,796
Special Road and Bridge	242,805	4,609,494	4,656,710	195,589
Assessment	19,103	671,076	626,354	63,825
Law Enforcement Training	2,195	5,522	5,841	1,876
Prosecuting Attorney Training	958	971	332	1,597
Capital Improvement	182,960	147,646	112,574	218,032
Special Road and Bridge Projects	516	27,834	28,076	274
Special Road and Bridge Capital Improvement	59,086	755,999	814,780	305
Recorder User Fee	217,980	99,210	45,559	271,631
Children's Trust/Abuse Victims	0	2,140	2,070	70
Election Services	5,397	1,255	1,320	5,332
Election Grant	13,864	114,863	119,516	9,211
Stonebridge Village Neighborhood Improvement District	610,600	381,013	249,822	741,791
Edgewater Village Neighborhood Improvement District	470,353	162,796	197,083	436,066
Black Oak Mountain Resort Neighborhood Improvement District	41,810	215,932	203,451	54,291
Prosecuting Attorney Delinquent Tax	11,778	29,398	26,894	14,282
Prosecuting Attorney Bad Check	2,954	17,473	16,583	3,844
Law Enforcement Civil Fee	16,506	73,873	54,843	35,536
Law Enforcement Restitution	26,770	42,857	44,836	24,791
Law Enforcement Grant	2,092	81,182	69,799	13,475
DARE	2,156	11,241	7,549	5,848
Sheriff Revolving	3,722	6,100	3,374	6,448
Inmate Security	5,896	3,586	0	9,482
Tax Maintenance	19,920	48,549	40,765	27,704
Emergency 911	778,601	1,028,499	1,262,863	544,237
Senior Citizens Service Board	111,382	202,213	186,187	127,408
Circuit Clerk Interest	4,058	16,046	9,366	10,738
Law Library	16,413	17,416	14,781	19,048
Total	\$ 4,149,565	15,609,769	15,741,807	4,017,527

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STONE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,512,127	6,462,411	6,694,848	1,279,690
Special Road and Bridge	361,987	4,453,989	4,573,171	242,805
Assessment	25,490	559,260	565,647	19,103
Law Enforcement Training	2,135	4,453	4,393	2,195
Prosecuting Attorney Training	1,343	793	1,178	958
Capital Improvement	204,991	4,840	26,871	182,960
Special Road and Bridge Projects	2,784	38,776	41,044	516
Special Road and Bridge Capital Improvement	328,581	383,525	653,020	59,086
Recorder User Fee	180,952	76,780	39,752	217,980
Children's Trust/Abuse Victims	0	1,550	1,550	0
Election Services	18,282	2,434	15,319	5,397
Election Grant	0	19,708	5,844	13,864
Stonebridge Village Neighborhood Improvement District	628,767	394,003	412,170	610,600
Edgewater Village Neighborhood Improvement District	203,191	545,129	277,967	470,353
Black Oak Mountain Resort Neighborhood Improvement District	23,917	196,483	178,590	41,810
Prosecuting Attorney Delinquent Tax	2,811	13,835	4,868	11,778
Prosecuting Attorney Bad Check	5,213	13,489	15,748	2,954
Law Enforcement Civil Fee	28,633	72,189	84,316	16,506
Law Enforcement Restitution	0	26,770	0	26,770
Law Enforcement Grant	4,088	45,874	47,870	2,092
DARE	7,664	2,728	8,236	2,156
Sheriff Revolving	11,523	5,600	13,401	3,722
Inmate Security	2,914	2,982	0	5,896
Tax Maintenance	7,933	47,203	35,216	19,920
Emergency 911	663,355	931,238	815,992	778,601
Senior Citizens Service Board	104,070	180,777	173,465	111,382
Circuit Clerk Interest	844	5,118	1,904	4,058
Law Library	7,440	18,517	9,544	16,413
Total	\$ 4,341,035	14,510,454	14,701,924	4,149,565

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 15,504,609	15,609,769	105,160	14,028,016	14,510,454	482,438
DISBURSEMENTS	16,484,761	15,741,807	742,954	15,222,590	14,701,924	520,666
RECEIPTS OVER (UNDER) DISBURSEMENTS	(980,152)	(132,038)	848,114	(1,194,574)	(191,470)	1,003,104
CASH, JANUARY 1	3,083,032	4,149,565	1,066,533	3,580,733	4,341,035	760,302
CASH, DECEMBER 31	2,102,880	4,017,527	1,914,647	2,386,159	4,149,565	1,763,406
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	593,500	540,289	(53,211)	515,000	494,504	(20,496)
Sales taxes	4,151,052	4,408,309	257,257	3,850,537	4,069,660	219,123
Intergovernmental	690,700	579,932	(110,768)	355,801	684,517	328,716
Charges for services	1,013,300	1,136,452	123,152	894,491	985,172	90,681
Interest	49,000	72,161	23,161	26,722	37,551	10,829
Other	132,422	98,442	(33,980)	590,102	108,259	(481,843)
Transfers in	0	0	0	82,748	82,748	0
Total Receipts	6,629,974	6,835,585	205,611	6,315,401	6,462,411	147,010
DISBURSEMENTS						
County Commission	123,100	122,584	516	112,350	109,464	2,886
County Clerk	179,213	174,282	4,931	169,396	162,631	6,765
Elections	174,105	172,679	1,426	164,239	141,674	22,565
Buildings and grounds	165,412	154,272	11,140	152,721	142,258	10,463
Employee fringe benefits	669,392	639,195	30,197	668,386	619,118	49,268
County Treasurer	79,586	79,411	175	77,042	75,986	1,056
County Collector	223,804	220,099	3,705	217,815	224,316	(6,501)
Recorder of Deeds	109,690	108,583	1,107	105,366	104,828	538
Circuit Clerk	55,766	45,591	10,175	56,797	47,043	9,754
Court Administration	107,567	91,140	16,427	118,665	99,501	19,164
Public Administrator	79,595	56,971	22,624	61,530	61,963	(433)
Sheriff	1,296,103	1,295,962	141	1,263,165	1,261,592	1,573
Jail	665,756	609,151	56,605	612,740	614,293	(1,553)
Prosecuting Attorney	408,147	402,365	5,782	390,099	387,037	3,062
Juvenile Officer	96,130	94,826	1,304	90,510	86,896	3,614
County Coroner	34,192	35,353	(1,161)	31,220	33,707	(2,487)
Emergency management	39,416	28,509	10,907	51,335	45,907	5,428
Janitorial	151,520	150,758	762	170,771	157,742	13,029
Planning and zoning	204,484	194,465	10,019	199,731	188,714	11,017
Miscellaneous	559,062	505,342	53,720	632,366	556,717	75,649
Debt service	278,575	269,462	9,113	279,883	276,670	3,213
Emergency Fund	30,000	25,279	4,721	40,000	0	40,000
Transfers out	1,479,000	1,464,200	14,800	1,296,791	1,296,791	0
Total Disbursements	7,209,615	6,940,479	269,136	6,962,918	6,694,848	268,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	(579,641)	(104,894)	474,747	(647,517)	(232,437)	415,080
CASH, JANUARY 1	1,279,690	1,279,690	0	1,512,127	1,512,127	0
CASH, DECEMBER 31	700,049	1,174,796	474,747	864,610	1,279,690	415,080

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	4,300	4,966	666	4,336	4,257	(79)
Sales taxes	1,956,190	2,039,806	83,616	1,795,996	1,917,883	121,887
Intergovernmental	1,678,600	1,703,176	24,576	1,604,942	1,615,943	11,001
Interest	17,500	21,018	3,518	19,485	11,569	(7,916)
Other	12,361	3,528	(8,833)	40,814	19,037	(21,777)
Transfers in	947,000	837,000	(110,000)	885,300	885,300	0
Total Receipts	4,615,951	4,609,494	(6,457)	4,350,873	4,453,989	103,116
DISBURSEMENTS						
Salaries	1,074,527	999,305	75,222	1,058,325	1,035,551	22,774
Employee fringe benefits	299,500	286,788	12,712	299,469	278,545	20,924
Supplies	338,600	343,608	(5,008)	266,600	295,891	(29,291)
Insurance	80,000	82,319	(2,319)	95,000	70,898	24,102
Road and bridge materials	1,986,000	1,887,063	98,937	1,925,000	1,833,037	91,963
Equipment repairs	139,000	175,699	(36,699)	136,000	137,459	(1,459)
Rentals	2,000	83	1,917	3,000	0	3,000
Equipment purchases	720,920	717,739	3,181	779,069	776,147	2,922
Construction, repair, and maintenance	15,000	10,808	4,192	15,000	14,997	3
Other	105,250	97,858	7,392	135,375	130,646	4,729
Transfers out	55,440	55,440	0	0	0	0
Total Disbursements	4,816,237	4,656,710	159,527	4,712,838	4,573,171	139,667
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200,286)	(47,216)	153,070	(361,965)	(119,182)	242,783
CASH, JANUARY 1	202,805	242,805	40,000	361,987	361,987	0
CASH, DECEMBER 31	2,519	195,589	193,070	22	242,805	242,783
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	423,764	458,887	35,123	403,914	391,396	(12,518)
Charges for services	12,000	14,377	2,377	11,124	14,617	3,493
Interest	150	414	264	149	140	(9)
Other	100	398	298	396	107	(289)
Transfers in	197,000	197,000	0	153,000	153,000	0
Total Receipts	633,014	671,076	38,062	568,583	559,260	(9,323)
DISBURSEMENTS						
Assessor	650,765	626,354	24,411	592,768	565,647	27,121
Total Disbursements	650,765	626,354	24,411	592,768	565,647	27,121
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,751)	44,722	62,473	(24,185)	(6,387)	17,798
CASH, JANUARY 1	19,103	19,103	0	25,490	25,490	0
CASH, DECEMBER 31	1,352	63,825	62,473	1,305	19,103	17,798

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,000	1,892	892	1,951	1,395	(556)
Charges for services	3,000	3,630	630	3,366	3,058	(308)
Total Receipts	4,000	5,522	1,522	5,317	4,453	(864)
DISBURSEMENTS						
Sheriff	5,000	5,841	(841)	5,500	4,393	1,107
Total Disbursements	5,000	5,841	(841)	5,500	4,393	1,107
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(319)	681	(183)	60	243
CASH, JANUARY 1	2,195	2,195	0	2,135	2,135	0
CASH, DECEMBER 31	1,195	1,876	681	1,952	2,195	243
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	750	971	221	700	793	93
Total Receipts	750	971	221	700	793	93
DISBURSEMENTS						
Prosecuting Attorney	1,500	332	1,168	1,500	1,178	322
Total Disbursements	1,500	332	1,168	1,500	1,178	322
RECEIPTS OVER (UNDER) DISBURSEMENTS	(750)	639	1,389	(800)	(385)	415
CASH, JANUARY 1	958	958	0	1,343	1,343	0
CASH, DECEMBER 31	208	1,597	1,389	543	958	415
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Interest	4,600	7,206	2,606	5,100	4,840	(260)
Transfers in	140,440	140,440	0	0	0	0
Total Receipts	145,040	147,646	2,606	5,100	4,840	(260)
DISBURSEMENTS						
Capital improvements	115,440	112,574	2,866	120,000	26,871	93,129
Total Disbursements	115,440	112,574	2,866	120,000	26,871	93,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	29,600	35,072	5,472	(114,900)	(22,031)	92,869
CASH, JANUARY 1	182,960	182,960	0	204,991	204,991	0
CASH, DECEMBER 31	212,560	218,032	5,472	90,091	182,960	92,869

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE PROJECTS FUND</u>						
RECEIPTS						
Charges for services	66,485	27,834	(38,651)	50,000	38,776	(11,224)
Total Receipts	66,485	27,834	(38,651)	50,000	38,776	(11,224)
DISBURSEMENTS						
Road and bridge projects	67,000	28,076	38,924	52,783	41,044	11,739
Total Disbursements	67,000	28,076	38,924	52,783	41,044	11,739
RECEIPTS OVER (UNDER) DISBURSEMENTS	(515)	(242)	273	(2,783)	(2,268)	515
CASH, JANUARY 1	516	516	0	2,784	2,784	0
CASH, DECEMBER 31	1	274	273	1	516	515
<u>SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Intergovernmental	571,401	443,499	(127,902)	350,403	179,752	(170,651)
Interest	3,000	2,500	(500)	6,488	3,773	(2,715)
Transfers in	200,000	310,000	110,000	200,000	200,000	0
Total Receipts	774,401	755,999	(18,402)	556,891	383,525	(173,366)
DISBURSEMENTS						
Capital improvements	833,486	814,780	18,706	535,069	653,020	(117,951)
Total Disbursements	833,486	814,780	18,706	535,069	653,020	(117,951)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,085)	(58,781)	304	21,822	(269,495)	(291,317)
CASH, JANUARY 1	59,086	59,086	0	328,581	328,581	0
CASH, DECEMBER 31	1	305	304	350,403	59,086	(291,317)
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	72,000	88,394	16,394	68,000	72,516	4,516
Interest	3,700	10,816	7,116	2,600	4,264	1,664
Total Receipts	75,700	99,210	23,510	70,600	76,780	6,180
DISBURSEMENTS						
Recorder of Deeds	54,500	45,559	8,941	47,400	39,752	7,648
Total Disbursements	54,500	45,559	8,941	47,400	39,752	7,648
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,200	53,651	32,451	23,200	37,028	13,828
CASH, JANUARY 1	217,980	217,980	0	180,952	180,952	0
CASH, DECEMBER 31	239,180	271,631	32,451	204,152	217,980	13,828

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST/ABUSE VICTIMS FUND</u>						
RECEIPTS						
Charges for services	1,600	2,140	540	1,600	1,550	(50)
Total Receipts	1,600	2,140	540	1,600	1,550	(50)
DISBURSEMENTS						
Abuse victims' services	1,600	2,070	(470)	1,600	1,550	50
Total Disbursements	1,600	2,070	(470)	1,600	1,550	50
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	70	70	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	70	70	0	0	0
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	553	553
Charges for services	2,500	1,255	(1,245)	1,700	1,881	181
Total Receipts	2,500	1,255	(1,245)	1,700	2,434	734
DISBURSEMENTS						
Election services	3,000	1,320	1,680	2,000	1,699	301
Transfers out	0	0	0	13,620	13,620	0
Total Disbursements	3,000	1,320	1,680	15,620	15,319	301
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(65)	435	(13,920)	(12,885)	1,035
CASH, JANUARY 1	5,397	5,397	0	18,282	18,282	0
CASH, DECEMBER 31	4,897	5,332	435	4,362	5,397	1,035
<u>ELECTION GRANT FUND</u>						
RECEIPTS						
Intergovernmental	114,500	114,450	(50)	121,100	6,088	(115,012)
Interest	0	413	413	0	0	0
Transfers in	0	0	0	13,620	13,620	0
Total Receipts	114,500	114,863	363	134,720	19,708	(115,012)
DISBURSEMENTS						
Election services	119,500	119,516	(16)	121,100	5,844	115,256
Total Disbursements	119,500	119,516	(16)	121,100	5,844	115,256
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	(4,653)	347	13,620	13,864	244
CASH, JANUARY 1	13,864	13,864	0	0	0	0
CASH, DECEMBER 31	8,864	9,211	347	13,620	13,864	244

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>STONEBRIDGE VILLAGE NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	380,000	348,517	(31,483)	391,000	376,165	(14,835)
Interest	0	32,496	32,496	0	17,838	17,838
Total Receipts	380,000	381,013	1,013	391,000	394,003	3,003
DISBURSEMENTS						
Debt service	380,000	246,843	133,157	390,825	409,130	(18,305)
Fees	0	2,979	(2,979)	0	3,040	(3,040)
Total Disbursements	380,000	249,822	130,178	390,825	412,170	(21,345)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	131,191	131,191	175	(18,167)	(18,342)
CASH, JANUARY 1	0	610,600	610,600	(175)	628,767	628,942
CASH, DECEMBER 31	0	741,791	741,791	0	610,600	610,600
<u>EDGEWATER VILLAGE NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	538,673	141,286	(397,387)	166,000	538,553	372,553
Interest	0	21,510	21,510	0	6,576	6,576
Total Receipts	538,673	162,796	(375,877)	166,000	545,129	379,129
DISBURSEMENTS						
Debt service	538,673	193,835	344,838	166,000	192,807	(26,807)
Fees	0	3,248	(3,248)	0	2,412	(2,412)
Transfers out	0	0	0	0	82,748	(82,748)
Total Disbursements	538,673	197,083	341,590	166,000	277,967	(111,967)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(34,287)	(34,287)	0	267,162	267,162
CASH, JANUARY 1	0	470,353	470,353	0	203,191	203,191
CASH, DECEMBER 31	0	436,066	436,066	0	470,353	470,353
<u>BLACK OAK MOUNTAIN RESORT NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	151,500	179,606	28,106	95,000	139,289	44,289
Interest	0	1,126	1,126	0	706	706
Transfers in	50,000	35,200	(14,800)	0	56,488	56,488
Total Receipts	201,500	215,932	14,432	95,000	196,483	101,483
DISBURSEMENTS						
Debt service	201,500	201,464	36	95,175	176,701	(81,526)
Fees	0	1,987	(1,987)	0	1,889	(1,889)
Total Disbursements	201,500	203,451	(1,951)	95,175	178,590	(83,415)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	12,481	12,481	(175)	17,893	18,068
CASH, JANUARY 1	0	41,810	41,810	175	23,917	23,742
CASH, DECEMBER 31	0	54,291	54,291	0	41,810	41,810

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	25,000	29,260	4,260	6,000	13,835	7,835
Other	0	138	138	0	0	0
Total Receipts	25,000	29,398	4,398	6,000	13,835	7,835
DISBURSEMENTS						
Prosecuting Attorney	20,000	26,894	(6,894)	8,200	4,868	3,332
Total Disbursements	20,000	26,894	(6,894)	8,200	4,868	3,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	2,504	(2,496)	(2,200)	8,967	11,167
CASH, JANUARY 1	11,893	11,778	(115)	2,771	2,811	40
CASH, DECEMBER 31	16,893	14,282	(2,611)	571	11,778	11,207
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	12,000	16,847	4,847	12,000	11,626	(374)
Interest	0	327	327	0	189	189
Other	0	299	299	0	1,674	1,674
Total Receipts	12,000	17,473	5,473	12,000	13,489	1,489
DISBURSEMENTS						
Prosecuting Attorney	11,000	16,583	(5,583)	17,000	15,748	1,252
Total Disbursements	11,000	16,583	(5,583)	17,000	15,748	1,252
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	890	(110)	(5,000)	(2,259)	2,741
CASH, JANUARY 1	2,684	2,954	270	5,853	5,213	(640)
CASH, DECEMBER 31	3,684	3,844	160	853	2,954	2,101
<u>LAW ENFORCEMENT CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services	50,000	47,708	(2,292)	50,000	50,000	0
Other	0	26,165	26,165	0	22,189	22,189
Total Receipts	50,000	73,873	23,873	50,000	72,189	22,189
DISBURSEMENTS						
Sheriff	50,000	54,843	(4,843)	65,000	84,316	(19,316)
Total Disbursements	50,000	54,843	(4,843)	65,000	84,316	(19,316)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	19,030	19,030	(15,000)	(12,127)	2,873
CASH, JANUARY 1	16,510	16,506	(4)	28,000	28,633	633
CASH, DECEMBER 31	16,510	35,536	19,026	13,000	16,506	3,506

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	42,500	40,178	(2,322)	30,000	26,770	(3,230)
Other	1,440	2,679	1,239	0	0	0
Total Receipts	43,940	42,857	(1,083)	30,000	26,770	(3,230)
DISBURSEMENTS						
Sheriff	48,000	44,836	3,164	30,000	0	30,000
Total Disbursements	48,000	44,836	3,164	30,000	0	30,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,060)	(1,979)	2,081	0	26,770	26,770
CASH, JANUARY 1	26,770	26,770	0	0	0	0
CASH, DECEMBER 31	22,710	24,791	2,081	0	26,770	26,770
<u>LAW ENFORCEMENT GRANT FUND</u>						
RECEIPTS						
Intergovernmental	31,308	80,947	49,639	81,150	42,909	(38,241)
Interest	0	235	235	0	42	42
Other	0	0	0	0	920	920
Transfers in	0	0	0	2,003	2,003	0
Total Receipts	31,308	81,182	49,874	83,153	45,874	(37,279)
DISBURSEMENTS						
Sheriff	33,396	69,799	(36,403)	82,291	42,920	39,371
Prosecuting Attorney	0	0	0	4,950	4,950	0
Total Disbursements	33,396	69,799	(36,403)	87,241	47,870	39,371
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,088)	11,383	13,471	(4,088)	(1,996)	2,092
CASH, JANUARY 1	2,092	2,092	0	4,088	4,088	0
CASH, DECEMBER 31	4	13,475	13,471	0	2,092	2,092
<u>DARE FUND</u>						
RECEIPTS						
Other	2,000	11,241	9,241	3,000	2,728	(272)
Total Receipts	2,000	11,241	9,241	3,000	2,728	(272)
DISBURSEMENTS						
Sheriff	2,500	7,549	(5,049)	5,000	8,236	(3,236)
Total Disbursements	2,500	7,549	(5,049)	5,000	8,236	(3,236)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	3,692	4,192	(2,000)	(5,508)	(3,508)
CASH, JANUARY 1	3,095	2,156	(939)	7,664	7,664	0
CASH, DECEMBER 31	2,595	5,848	3,253	5,664	2,156	(3,508)

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Charges for services	5,000	6,100	1,100	8,000	5,600	(2,400)
Total Receipts	5,000	6,100	1,100	8,000	5,600	(2,400)
DISBURSEMENTS						
Sheriff	5,000	3,374	1,626	12,000	13,401	(1,401)
Total Disbursements	5,000	3,374	1,626	12,000	13,401	(1,401)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,726	2,726	(4,000)	(7,801)	(3,801)
CASH, JANUARY 1	3,722	3,722	0	11,523	11,523	0
CASH, DECEMBER 31	3,722	6,448	2,726	7,523	3,722	(3,801)
<u>INMATE SECURITY FUND</u>						
RECEIPTS						
Charges for services	3,000	3,586	586	2,550	2,982	432
Total Receipts	3,000	3,586	586	2,550	2,982	432
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	3,586	586	2,550	2,982	432
CASH, JANUARY 1	5,896	5,896	0	2,914	2,914	0
CASH, DECEMBER 31	8,896	9,482	586	5,464	5,896	432
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	35,000	41,361	6,361	40,000	42,447	2,447
Interest	0	1,167	1,167	0	408	408
Other	300	6,021	5,721	0	4,348	4,348
Total Receipts	35,300	48,549	13,249	40,000	47,203	7,203
DISBURSEMENTS						
County Collector	45,000	40,765	4,235	40,000	35,216	4,784
Total Disbursements	45,000	40,765	4,235	40,000	35,216	4,784
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,700)	7,784	17,484	0	11,987	11,987
CASH, JANUARY 1	19,920	19,920	0	7,933	7,933	0
CASH, DECEMBER 31	10,220	27,704	17,484	7,933	19,920	11,987

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Sales taxes	904,138	962,940	58,802	856,817	903,688	46,871
Intergovernmental	0	29,590	29,590	0	0	0
Interest	0	34,986	34,986	19,594	26,886	7,292
Other	0	983	983	1,564	664	(900)
Total Receipts	904,138	1,028,499	124,361	877,975	931,238	53,263
DISBURSEMENTS						
Salaries and fringe benefits	588,733	548,488	40,245	536,150	503,856	32,294
Office expenditures	41,800	34,705	7,095	45,900	32,476	13,424
Building and equipment	63,000	62,012	988	70,200	71,417	(1,217)
Mileage and training	16,500	20,441	(3,941)	25,000	16,420	8,580
Professional fees	10,000	3,497	6,503	9,000	8,999	1
Lease payments	202,200	528,063	(325,863)	105,800	110,018	(4,218)
Telephone	70,000	65,122	4,878	73,500	72,248	1,252
Other	4,600	535	4,065	3,900	558	3,342
Total Disbursements	996,833	1,262,863	(266,030)	869,450	815,992	53,458
RECEIPTS OVER (UNDER) DISBURSEMENTS	(92,695)	(234,364)	(141,669)	8,525	115,246	106,721
CASH, JANUARY 1	877,622	778,601	(99,021)	758,961	663,355	(95,606)
CASH, DECEMBER 31	784,927	544,237	(240,690)	767,486	778,601	11,115
<u>SENIOR CITIZENS SERVICE BOARD FUND</u>						
RECEIPTS						
Property taxes	185,385	190,492	5,107	181,712	176,645	(5,067)
Intergovernmental	1,700	7,001	5,301	500	1,226	726
Interest	1,750	4,555	2,805	1,750	1,982	232
Other	1,000	165	(835)	2,040	924	(1,116)
Total Receipts	189,835	202,213	12,378	186,002	180,777	(5,225)
DISBURSEMENTS						
Contract services	257,466	184,607	72,859	246,412	170,748	75,664
Office expenditures	850	725	125	1,260	729	531
Mileage	900	673	227	900	643	257
Transportation	2,000	182	1,818	1,500	1,345	155
Total Disbursements	261,216	186,187	75,029	250,072	173,465	76,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	(71,381)	16,026	87,407	(64,070)	7,312	71,382
CASH, JANUARY 1	111,382	111,382	0	104,070	104,070	0
CASH, DECEMBER 31	40,001	127,408	87,407	40,000	111,382	71,382

Exhibit B

STONE COUNTY

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	4,000	16,046	12,046	2,151	5,118	2,967
Total Receipts	4,000	16,046	12,046	2,151	5,118	2,967
DISBURSEMENTS						
Circuit Clerk	4,000	9,366	(5,366)	6,000	1,904	4,096
Total Disbursements	4,000	9,366	(5,366)	6,000	1,904	4,096
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,680	6,680	(3,849)	3,214	7,063
CASH, JANUARY 1	4,243	4,058	(185)	844	844	0
CASH, DECEMBER 31	4,243	10,738	6,495	(3,005)	4,058	7,063
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	14,850	16,930	2,080	13,700	18,376	4,676
Interest	150	486	336	0	141	141
Total Receipts	15,000	17,416	2,416	13,700	18,517	4,817
DISBURSEMENTS						
Law Library	10,000	14,781	(4,781)	11,531	9,544	1,987
Total Disbursements	10,000	14,781	(4,781)	11,531	9,544	1,987
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	2,635	(2,365)	2,169	8,973	6,804
CASH, JANUARY 1	12,649	16,413	3,764	7,440	7,440	0
CASH, DECEMBER 31	\$ 17,649	19,048	1,399	9,609	16,413	6,804

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

STONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Stone County, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senior Citizens Service Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2006
Special Road and Bridge Capital Improvement Fund	2005
Children's Trust/Abuse Victims Fund	2006
Election Grant Fund	2006
Stonebridge Village NID Fund	2005
Edgewater Village NID Fund	2005
Black Oak Mountain Resort NID Fund	2006 and 2005
Prosecuting Attorney Delinquent Tax Fund	2006
Prosecuting Attorney Bad Check Fund	2006
Law Enforcement Civil Fee Fund	2006 and 2005
Law Enforcement Grant Fund	2006
DARE Fund	2006 and 2005
Sheriff Revolving Fund	2005
Emergency 911 Fund	2006
Circuit Clerk Interest Fund	2006
Law Library Fund	2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the year ended December 31, 2006, did not include the Circuit Clerk Interest Fund. Additionally, the Election Grant Fund did not include expenditure detail in 2005, and the Stonebridge Village NID, Edgewater Village NID, Black Oak Mountain Resort NID and Senior Citizens Service Board Funds included only those amounts that passed through the County Treasurer. In addition, the Emergency 911 Board published its financial statements separately from the county's statements.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Stone County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Emergency 911 Board's, and the Senior Citizens Service Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

<u>Fund</u>	<u>Balance</u>
Stone Bridge Village NID Fund	\$628,767
Edgewater Village NID Fund	203,191
Black Oak Mountain Resort NID Fund	23,917
Prosecuting Attorney Delinquent Tax Fund	2,811
Prosecuting Attorney Bad Check Fund	5,213
Law Enforcement Civil Fee Fund	28,633
DARE Fund	7,664
Tax Maintenance Fund	7,933
Emergency 911 Fund	663,355
Senior Citizens Services Board Fund	104,070
Circuit Clerk Interest Fund	844
Law Library Fund	7,440

Supplementary Schedule

Schedule

STONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Service				
14.231	Emergency Shelter Grants Program	ERO1640720	\$ 11,475	12,773
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.607	Bulletproof Vest Partnership Program	N/A	0	2,113
16.710	Public Safety Partnership and Community Policing Grant	1995CFWX5194	31,120	0
		1995CFWX1594	0	30,619
	Program Total		31,120	30,619
Passed through:				
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcemer Assistance Discretionary Grants Program	2000DDVX0055	0	21,645
State Department of Public Safety				
16.588	Violence Against Women Formula Grant	2006VAWA0037	28,004	0
		2006VAWA0036	16,800	0
		2005VAWA0024	0	16,969
		2004VAWA0051	0	26,481
	Program Total		44,804	43,450
16.592	Local Law Enforcement Block Grants Program	2005DJBX1266	8,693	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	658	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission -				
20.205	Highway Planning and Constructor	BRO - 104 (5)	377,500	0
		COE - C104 (1)	0	188,900
	Program Total		377,500	188,900
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,945	600

Schedule

STONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
GENERAL SERVICES ADMINISTRATION				
	Passed through state			
	Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	13,707	7,673
	Office of Secretary of State			
39.011	Election Reform Payments	SC231S5EL0000209	5,066	0
ELECTIONS ASSISTANCE COMMISSION				
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payments	SC231S6EL0000437 SC231S5EL0000005	114,450 0 <u>114,450</u>	0 6,151 <u>6,151</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state Department of Social Services			
93.643	Children's Justice Grants	AOCO3380091	2,610	1,330
93.667	Social Services Block Grants	AOCO3380091	7,437	11,410
93.669	Child Abuse and Neglect	AOCO3380091	3,001	1,529
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Program	2004GET40049 2003-MU-T3-0003	0 0 <u>0</u>	64,111 29,590 <u>93,701</u>
97.042	Emergency Management Performance Grant	2006 EME60037	5,894	5,908
97.067	Homeland Security Grant Program	2005GET50022	50,000	0
	Total Expenditures of Federal Awards		\$ <u>678,360</u>	<u>427,802</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

STONE COUNTY
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stone County.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to a subrecipient as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2006	2005
93.643	Children's Justice Grants	\$ 2,610	1,330
93.667	Social Services Block Grant	7,437	11,410
93.669	Child Abuse and Neglect	3,001	1,529

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Stone County

Compliance

We have audited the compliance of Stone County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Stone County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB

Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

Internal Control Over Compliance

The management of Stone County, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Stone County, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Stone County, federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, CPA
State Auditor

June 16, 2008

Schedule

STONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
90.401	Help America Vote Act Requirements Payment

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1.	Help America Vote Act Grant
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Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payment
Pass-Through Entity	
Identifying Number:	SC231S6EL0000437 and SC231S5EL0000005
Award Years:	2006 and 2005
Questioned Costs:	\$1,490

The County Clerk did not maintain adequate supporting documentation and as a result, we are questioning costs of \$1,490. Additionally, the County Clerk did not enter into a written agreement for contract services and did not have adequate procedures for tracking capital assets purchased with grant monies. The County Clerk received federal funding for Help America Vote Act (HAVA) grant monies through the Office of Secretary of State and expended \$120,601 of these funds during the two years ended December 31, 2006.

A. Our review of HAVA program expenditures revealed the following concerns:

- An individual was paid \$1,244 during the two years ending December 31, 2006, from HAVA funds and the County Clerk did not maintain adequate documentation of the work performed or enter into a written contract specifying the services to be provided. According to the County Clerk, the individual was an independent contractor acting as a media specialist and a training and election assistant; however, supporting documentation only included time cards with the number of hours worked. There was no documentation of what work was performed during the hours charged or a contract specifying the services to be provided. Although this individual was classified as a contractor and her

compensation was reported on Internal Revenue Service (IRS) Form 1099, the completed time cards give the impression that she was an employee. As a result, we have questioned costs of \$1,244.

In March 2008, after this was brought to the attention of the County Clerk, a contract was drafted and signed which indicated that the contract memorialized the terms and scope of employment reached between the County Clerk and the employee in early 2003. Other payments were also made to this same individual from the County Clerk's Special Election Fund for similar type services without adequate documentation. Total payments made to this individual from all funds for contracted election services were approximately \$3,100 and \$2,400 for 2006 and 2005, respectively.

- The County Clerk received an advance grant payment of \$553 for a travel allowance for two individuals to attend training. The County Clerk reported that the entire amount was expended on mileage (\$263) and meals (\$290) associated with the training; however, the supporting documentation submitted by the two individuals attending training only indicated \$307 was spent for mileage (\$219) and meals (\$88). As a result, amounts reported by the County Clerk appear to be overstated by \$246 and we have questioned that amount. Based on the documentation submitted, it is unclear how the County Clerk calculated the amounts reported.

To ensure all disbursements of HAVA monies are proper, detailed supporting documentation, such as vendor invoices, should be maintained for all transactions. Additionally, the IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act (FLSA) and not properly withholding and paying various taxes. Further, written contracts are necessary to define responsibilities and the duties of the contracting parties. Section 432.070, RSMo, requires all county contracts to be in writing. Written agreements should clearly specify the services to be rendered and the manner and amount of compensation. Such written agreements lessen the opportunity for misunderstanding between the parties involved.

- B. The County Clerk does not have adequate procedures for capital assets purchased through the HAVA program. Voting equipment purchased in May 2005 totaling \$4,054 was not added to the county capital asset records. Also, see MAR finding number 7 regarding recommendations for overall county capital assets.

Grants Common Rule §105-71.132 specifies that states will use, manage, and dispose of equipment acquired under a grant in accordance with state laws and procedures. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more.

WE RECOMMEND the County Commission and County Clerk:

- A. Work with the granting agency to resolve the questioned costs, ensure detailed supporting documentation is maintained for all disbursements, and comply with IRS regulations regarding independent contractors and employees. If it is determined that the individual provides services as an independent contractor, written contracts should be prepared.
- B. Ensure capital assets purchased through the HAVA program are accounted for properly.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

- A. *Since the audit report was written, all reports due under the HAVA Grant have been filed and the grant has been closed. The County Commission and the County Clerk will work with granting agencies and seek the granting agencies' guidance. The County Clerk will comply with IRS regulations concerning independent contractors and employees and, for independent contractors, will enter into written contracts.*
- B. *The County Clerk has added items purchased through the HAVA program to the inventory list and will properly account for such items.*

06-2.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	COE-C104(1) and BRO-104(5)
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payment
Pass-Through Entity	
Identifying Number:	SC231S6EL0000437 and SC231S5EL0000005
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county prepared a SEFA for the years ended December 31, 2006 and 2005; however, it contained several errors and omissions. In total, expenditures were understated by approximately \$20,750 and \$219,950 for 2006 and 2005, respectively. Some federal programs were omitted from the schedule, and the U.S. Department of Transportation funding was understated by approximately \$100,000 on the 2005 schedule.

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds of the county.

WE RECOMMEND the County Commission and the County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

We will ensure that the SEFA is complete and accurate.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STONE COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

STONE COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

STONE COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Stone County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008. We also have audited the compliance of Stone County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Stone County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits

performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Stone County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Disbursements

The approval and bid process for prisoner meals should be improved to prevent the appearance of a conflict of interest, and proposals should be solicited for engineering services. Additionally, concerns were identified with disbursements made from the Collector's Tax Maintenance Fund, the County Clerk's Election Services Fund, and the Sheriff's Law Enforcement Civil Fee Fund. Further, the personal use of county cellular phones is not always reimbursed to the county.

- A. An appearance of a conflict of interest exists by the Sheriff's bookkeeper approving payments to herself for the preparation of prisoner meals. The Sheriff's bookkeeper and her husband were paid \$113,000 during 2007 for providing meals to county prisoners. Bids were solicited by the Sheriff for these services with the bookkeeper's bid being the only bid received. There is no evidence in the County Commission meeting minutes to indicate the County Commission was involved in the bid process. Additionally, our review of some December 2007 invoices totaling \$1,984 identified that the Sheriff's signature stamp, normally in the bookkeeper's custody, was used to approve the payments.

To avoid the appearance of a conflict of interest, the Sheriff should sign the invoices for prisoner meals to document his review and approval of the services. In addition, the County Commission should participate in the bid process, and the process should be documented in the County Commission meeting minutes.

- B. The County Commission did not solicit proposals or document its selection process for engineering services related to the planning and zoning department. The county used several engineers to provide engineering services and paid a total of approximately \$20,950 and \$17,170 in 2006 and 2005, respectively, for these services.

Sections 8.285 to 8.291, RSMo, provide that when obtaining engineering services at least three highly qualified firms should be considered. The firms should be evaluated based on specified criteria and qualifications for the type of service required. The best proposal should be selected based on experience, type of service to be provided, and any other relevant information.

- C. The County Collector did not document how some monies spent from the Tax Maintenance Fund complied with state law. Additionally, credit card limits were not properly monitored and bids were not solicited as required. In October 2006, the County Collector purchased Christmas lights for the outside of the courthouse

costing approximately \$7,200 with monies from her Tax Maintenance Fund. The County Collector indicated that she asked the County Commission to consider purchasing the Christmas lights, but they declined. She indicated that the Christmas lights provide lighting for her and her employees to transmit deposits to the bank. Sections 52.312 and 52.315, RSMo, establish the Tax Maintenance Fund to be used solely as a depository for funds received or collected for the purpose of funding the administration and operational costs of the office of collector.

Also, this purchase was made on the Collector's office credit card causing the credit limit of the card to be exceeded and resulting in an over-limit charge of \$29.

In addition, bids were not solicited for the purchase of the lights. Section 50.660, RSMo, requires the advertisement for bids on purchases of \$4,500 (\$6,000 as of August 2007) or more from any one person, firm or corporation during any period of ninety days, and the Collector should monitor compliance with the office credit card limits.

- D. Some disbursements paid from the County Clerk's Election Services Fund were not adequately documented.

County disbursement voucher forms and sticky notes were the only documentation to support some disbursements from the County Clerk's Election Services Fund. For example, in June 2005, a county disbursement voucher form for \$570 indicated, "bill for training picnic," however, there was no invoice or other detailed documentation to support the disbursement. Other instances of inadequately documented food and entertainment expenses were also noted, and in December 2006, \$80 was paid for training supplies and a phone card based upon comments on a sticky note. Additionally, some mileage reimbursement payments made to the County Clerk and her contract employee did not include adequate documentation such as date, destination, and purpose. As noted in finding number 06-1, the County Clerk also paid an individual \$5,500 during 2006 and 2005 from the Election Services Fund (\$4,256) and the Election Grant Fund (\$1,244) without adequate documentation or a written contract.

All disbursements should be supported by paid receipts or vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper disbursement of county funds.

- E. The Sheriff's department did not have adequate supporting documentation for some travel related disbursements paid from the Law Enforcement Civil Fee Fund.
- The Sheriff requested an advance for mileage reimbursement of \$1,012 and \$999 to use his personal vehicle to attend training in Orlando, Florida, and Salt Lake City, Utah, respectively. Supporting documentation for the Orlando trip did not indicate the number of miles incurred or estimated. Further, there was no cost comparison performed to ascertain the most economical form of travel, and based

upon the amount of mileage paid on each of these trips, it may have been significantly more economical to fly to these destinations.

- A reserve deputy for the Sheriff's department requested an advance payment of \$320 for fuel to attend training in Colorado. A training certificate was the only supporting documentation provided to support the travel expenses. While the advance payment may have been a reasonable estimate of expenses incurred, the request did not state mileage for the trip and dates of the trip, and was not signed by the Sheriff for approval.

According to the county personnel manual, in order to be reimbursed for travel expenses, any and all bills associated with the trip should be retained, details of the trip (destination, date, purpose, number of miles) should be documented, and travel advances must be approved by an elected official or a department head.

- F. Some county officials do not ensure personal use of county cellular phones is reimbursed to the county. Cellular phone bills are reviewed for personal use, and if personal calls exceed the number of minutes allowed under the plan, the cost of the overage is to be reimbursed to the county. Our review of cellular phone bills identified one instance in June 2007 where an employee made personal calls causing him to exceed his plan by approximately 540 minutes resulting in additional costs of \$219. The overage amount was not reimbursed to the County Treasurer until April 2008 when we brought the matter to the attention of the County Commission.

According to the County Commission this employee had been instructed to reimburse the county at the time of the billing, but there apparently had been no follow up to ensure the reimbursement was made. Approximately \$49,000 was paid for 50 cellular phones during the two years ended December 31, 2006.

Effective review and follow up procedures should be in place to identify and reimburse the county for personal use of county cellular phones. Additionally, the County Commission should consider prohibiting the personal use of cellular phones, except in the case of an emergency

WE RECOMMEND the County Commission:

- A. And the Sheriff ensure invoices for prisoner meals are properly approved to avoid the appearance of a conflict of interest, and the County Commission should participate in the bid process and document the process in the County Commission meeting minutes.
- B. Solicit proposals and document the selection process for engineering services.

- C. And the County Collector ensure future disbursements from the Tax Maintenance Fund comply with state law. In addition, the County Collector should perform a competitive procurement process for all major purchases and monitor compliance with credit card limits.
- D. And County Clerk maintain adequate supporting documentation for all disbursements. In addition, the County Clerk should enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county.
- E. And the Sheriff ensure that county travel policies and procedures are followed by all county employees. In addition, all travel disbursements should be supported by adequate documentation and a cost benefit analysis should be performed on all county travel disbursements.
- F. Ensure effective review and follow up procedures are in place to identify and reimburse the county for personal use of county cellular phones. Additionally, the County Commission should consider prohibiting the personal use of cellular phones, except in the case of an emergency.

AUDITEE'S RESPONSE

The County Commission, County Clerk, and County Collector provided the following responses:

- A. *The County Commission will work with the Sheriff to ensure that all bids and contracts to supply prisoner meals will be conducted by public bidding and in accordance with Missouri statutes and the county's practices concerning contracts.*
- B. *In making past selections for engineering services, the County Commission has informally followed the provisions of Sections 8.285 through 8.291, RSMo, but did not adequately document its procedures. In the future, the County Commission will document its compliance with Sections 8.285 through 8.291, RSMo, in obtaining engineering services.*
- C. *The Collector contends the lighting has made the building a safer place at night, especially during peak tax season when employees work into the night hours, making the lighting a valid county expenditure. The Collector will ensure that future disbursements from the Collector's Tax Maintenance Fund comply with state law, will monitor credit card limits, and will solicit bids for goods and services in accordance with Missouri statutes and the county's practices concerning contracts.*
- D. *The County Clerk has maintained documentation in the past, but in the future will maintain better supporting documentation for all disbursements. The County Clerk will enter into contracts when appropriate, and will ensure that contracts contain adequate details and protections for the county.*

- E. *The County Commission will work with the Sheriff to ensure the county's travel policies and procedures are followed by his employees, all travel disbursements are supported by adequate documentation, and all requests for travel are analyzed before authorizing disbursements.*
- F. *The County Commission, the department heads, and the elected officeholders have informally monitored use of cell telephones by their respective employees. The audit report discusses one instance of which the County Commission was aware and handled. However, the County Commission will adopt a cell telephone policy.*

The Sheriff provided the following responses:

- A. *I will ensure that all bids and the bidding process is discussed with the County Commission and documented in the Commission meeting minutes. In the past, I have turned over all bids to the County Clerk and was unaware they were not forwarded to the County Commission and documented in the Commission minutes. Meal invoices will be approved by me or the Chief Deputy to prevent the appearance of a conflict of interest.*
- E. *For the Orlando conference, I took my personal vehicle and took care of all of fuel, lodging, and meals for personal reasons and only charged the county the actual mileage to and from the conference. Additionally, these trips noted in the report were last minute trips and I did check the price of airfare. I will ensure that all documentation of travel method comparisons and actual trip expense documentation is attached to the reimbursement request forms.*

2.	Property Tax Controls and Procedures
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Several control weaknesses exist over the property tax system. The County Clerk does not adequately verify the accuracy of the tax books and errors were identified in amounts reported in the delinquent real estate tax book. The County Commission does not review and approve all changes to the tax books, and the county's property tax system does not adequately track all changes made to the system. Additionally, the County Collector's annual settlement contained errors and the County Clerk does not compare her account book with the County Collector's annual settlements. Further, the County Clerk's aggregate abstracts and tax levy calculations are not properly reviewed for accuracy, and controls over the County Collector's commissions need improvement.

- A. The County Clerk does not perform adequate procedures to verify the current and back tax books for accuracy. The delinquent real estate tax book at February 28, 2007, did not include tax accounts totaling at least \$56,700. We identified the error while recalculating totals printed in the delinquent tax book. Although the totals in the tax book were accurate, not all of the individual tax amounts were included in the printed tax book. After we brought this to the County Collector's attention, she determined that a programming error caused the system to not print some accounts in

the tax book. The County Clerk indicated she reviews the tax book totals but does not test foot the tax book for accuracy.

Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. The failure to perform adequate reviews of the tax books could result in errors and irregularities going undetected.

- B. The County Commission does not approve additions to the tax books and personal property taxes that are outlawed each year. While the County Commission reviews and approves tax book abatements, taxes are added and outlawed each year without the County Commission's approval. Taxes totaling over \$380,000 were added to the tax books and personal property taxes totaling over \$80,000 were outlawed and removed from the tax books during the year ended February 28, 2007, without the approval of the County Commission. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission.
- C. The county's property tax computer system does not adequately track changes made to the system, who makes the changes, or the date the changes are made. When multiple assessment changes have been made to an individual tax account, the property tax computer system only tracks the last change that was made to the tax account and does not track who made the changes. The County Assessor indicated he retains the original manual forms to document who made the change and why the change was made; however, reports from the property tax computer system are not generated, printed, and retained to substantiate the manual records and properly track the changes that were made to the system. Additionally, if more than one change was made to a tax account, only the most recent change is retained by the system and the previous changes are lost.

Audit trail reports would provide documentation and allow an independent review of changes made. Such changes could be reviewed for possible irregularities and trends and to verify the accuracy, validity, and completeness of any changes made to property tax accounts. The county's computer system does not have the capability to generate these change reports, and as a result, there is an increased risk of undetected changes to the computer files.

D. The County Clerk does not adequately review property tax information, and errors were noted in the amounts reported on the County Collector's annual settlements. Additionally, data used to calculate commissions on taxes should be reviewed for accuracy.

1. The County Clerk does not adequately review property tax information she reports, and does not adequately reconcile her property tax account book and aggregate abstracts with the records maintained by the County Collector. Some amounts reported by the County Clerk on the aggregate abstracts varied slightly from the amounts reported on the County Collector's annual settlement. The railroad and utility aggregate abstracts did not include private car taxes totaling \$22,034 and \$24,833 for tax book years 2006 and 2005, respectively. Other smaller differences were also noted between the aggregate abstracts and the annual settlements. Additionally, the County Clerk certified an incorrect 2007 aggregate assessed valuation for the Northern Stone/Northeast Barry Fire Protection District, resulting in an unintended reduction in the property tax levy. While the County Clerk indicated the error was just an oversight, property tax collections for the fire protection district totaling approximately \$17,500 were not assessed or collected.

The County Clerk's account book, which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be used to verify amounts reported on the County Collector's annual settlements. Additionally, an adequate review of all property tax information prior to certifying and reporting such information should be performed. Such procedures are intended to establish some checks and balances related to the collection and distribution of property taxes and reduce reporting errors.

2. The County Collector's annual settlement contained errors in amounts reported causing collections and distributions to be overstated. Credit card collections totaling \$99,108 and \$81,774 were reported twice on the annual settlements for the years ended February 28, 2007 and 2006, respectively. Other smaller errors were also identified in amounts reported for protested tax and bankruptcy distributions. Additionally, real property tax additions and abatements were netted together instead of reported separately on the annual settlements.

Inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting. As noted above, the County Clerk's account book should be used to verify the accuracy of the County Collector's annual settlements. Adjustments affecting distributions to the various political subdivisions resulting from the errors noted above are reflected in

the amounts presented in the History, Organization, and Statistical Information section of the audit report.

Similar conditions were noted in our prior report.

3. Commissions totaling approximately \$750 were over withheld from two school districts and the County Collector used approximately \$5,400 of property tax commission monies to purchase supplies for her office. Inaccurate levy information was input into the property tax system causing tax commissions for two school districts to be calculated incorrectly. After bringing this to the County Collector's attention, the error was corrected and the commissions were refunded to the districts. Additionally, property tax commissions totaling approximately \$5,400 were used during 2005 for purchases of postage and toner rather than being turned over to the county treasury. According to the County Collector, these were emergency purchases, and in 2006 she began using the Tax Maintenance Fund for emergency purchases.

To ensure commissions on property taxes are correctly computed, data used to calculate commissions should be reviewed for accuracy prior to being input into the property tax system, and commission calculations should be checked for accuracy. Additionally, property tax commissions represent accountable fees and should be remitted to the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. Also, to ensure all purchases are included in the county's budget and properly approved for payment, all disbursements should be processed through the county's normal disbursement process.

WE RECOMMEND:

- A. The County Clerk verify the accuracy of the current and back tax books.
- B. The County Commission establish proper controls over property taxes added and outlawed each year.
- C. The County Commission and County Assessor discuss with the computer programmer the possibility of updating the system to provide the appropriate audit trail reports to document all changes to property tax accounts, not just the most recent change.
- D.1. The County Clerk compare the amounts on the County Collector's annual settlements to the County Clerk's account book to ensure the annual settlements are accurate. Additionally, the County Clerk should review property tax data reported on aggregate abstracts and to taxing districts for accuracy.

2. The County Collector file accurate and complete annual settlements.
3. The County Collector ensure data used to calculate commissions is properly input into the computer system and commission calculations are checked for accuracy. Additionally, all commissions should be turned over to the County Treasurer, and supplies should be purchased through the county's normal disbursement process.

AUDITEE'S RESPONSE

The County Commission, County Clerk, County Collector, and County Assessor provided the following responses:

- A. *The County Collector has consulted with the computer software programmer to make sure ALL delinquent tax records print on the delinquent tax books, and will ensure the programmer follows through on programming corrections. The County Clerk will verify the accuracy of the current and back tax books.*
- B. *The County Commission has always approved deletions to the tax books and personal property taxes. In the future, the County Commission will also approve additions to the tax books and outlawed personal property taxes. The County Collector will ensure the County Commission signs off on outlawed taxes prior to the programmer purging the files off the system each year.*
- C. *The County Commission, County Collector, and County Assessor will discuss the possibility of updating the computer software to provide appropriate audit trail reports to document all changes to property tax accounts and not just the most recent change. The County Commission and the Assessor hope to phase in improved software, beginning with personal property and real property assessments. We hope to let bids by January 1, 2009. Manual records are maintained and reconciled on a monthly basis by the County Collector, County Clerk, and County Assessor.*
- D.1. *The County Clerk will compare the amounts on the annual settlements to the County Clerk's account book to ensure that annual settlements are accurate, and will review for accuracy property tax data reported on aggregate abstracts and reported to taxing districts.*
2. *The County Collector will file accurate and complete annual settlements.*
3. *The County Collector will ensure that data used to calculate commissions is properly input in to the computer software, that commission calculations are checked in great detail for accuracy, and that all commissions are turned over to the County Treasurer.*

Budgets prepared for some county funds contained misclassifications and errors, budgets filed for some discretionary funds were incomplete, actual disbursements for some funds exceeded budgeted disbursements, and the published financial statements did not include the activity of some funds. In addition, the Recorder User Fee Fund has accumulated a balance of over \$325,000 at December 31, 2007, and there is no detailed plan to utilize the funds. Further, an annual maintenance plan for the county roads and bridges has not been prepared.

A. Our review of the county's budgets and budgeting procedures identified several concerns:

- Some receipt and disbursement amounts were not appropriately classified in the county's budgets. For example, federal and state grant reimbursement monies in the General Revenue Fund totaling approximately \$320,000 and \$375,000 for 2006 and 2005, respectively, were classified in the "other revenues" category rather than in a more specific and appropriate category. In addition, federal grant reimbursement monies in the Road and Bridge Capital Improvement Fund totaling approximately \$443,000 and \$179,000 for 2006 and 2005, respectively, were also classified in the "other revenues" category. Federal and state grant proceeds are a significant source of revenue to the county, and should be properly classified in the county's financial statements. Further, transfers were not properly and consistently reflected between county funds.
- Actual beginning and ending cash balances were not always accurately reflected on the cash reconciliation portion of the budgets for several county funds. For example, beginning cash balances totaling over \$1.1 million and \$850,000 were not included on the cash reconciliation pages of the county's three Neighborhood Improvement District (NID) budgets for 2006 and 2005, respectively. In addition, the 2006 Special Road and Bridge Fund budget beginning cash balance was understated by approximately \$40,000. According to the County Clerk, this was caused by a \$40,000 voided check.
- The actual receipt and disbursement amounts presented on the county budgets did not accurately reflect all transactions of certain funds. For example, receipts and disbursements for the NID Funds only included taxes collected and bond payments that were handled by the County Treasurer. The budgets did not include financial activity for accounts held outside the county treasury. In addition, other discretionary funds for some county officials, such as the DARE Fund and the Law Enforcement Civil Fee Fund, did not include actual financial activity for 2006 and 2005 on the 2007 county budget.

Similar errors were noted and reclassification corrections were made to other smaller county funds.

To be of maximum assistance to the County Commission and to adequately inform citizens of the county's operations and financial position, the budgets need to be accurate. A thorough review process should be implemented to ensure budget documents are accurate and complete prior to approval. Adjustments have been made to the audited financial statements receipt and disbursement amounts.

- B. Disbursements were made in excess of approved budgeted amounts for many county funds during the two years ended December 31, 2006.

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Special Road and Bridge Capital Improvement	\$ N/A	117,951
Law Enforcement Grant	36,403	N/A
Prosecuting Attorney Bad Check	5,583	N/A
Prosecuting Attorney Delinquent Tax	6,894	
N/A		
Law Enforcement Civil Fee	4,843	19,316
DARE	5,049	3,236
Black Oak Mountain Resort NID	1,951	83,415
Edgewater Village NID	N/A	111,967
Stonebridge Village NID	N/A	21,345

Budgeted disbursements were also exceeded by lesser amounts in other county funds.

Although a comparison of budgeted and actual disbursements is reviewed periodically by the County Commission and amendments were made to increase budgeted disbursements for some funds through the year, these funds exceeded budgeted disbursements.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- C. The county's published financial statements did not accurately report the financial position of the county's three NID Funds. Additionally, the Circuit Clerk Interest Fund was not included in the 2006 published financial statement, and the appropriate receipt and disbursement detail was not included for the Election Grant Fund in the 2005 published financial statement.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be presented in the level of detail required by law.

- D. The cash balance in the Recorder User Fee Fund has accumulated from approximately \$100,000 in 2002 to over \$325,000 at December 31, 2007. In addition, the 2008 budget does not reflect a significant change is anticipated in the cash balance at December 31, 2008. The Recorder indicated that she desires to maintain cash reserves sufficient to purchase new equipment and make equipment upgrades in the future; however, the Recorder has not documented these intentions or established a cash reserve target amount.

The Recorder of Deeds should work with the County Commission to review the fund balance and develop a plan to utilize the funds as allowed by Section 59.319, RSMo.

- E. A formal maintenance plan for county roads and bridges has not been prepared. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from county residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of roads and bridges throughout the year.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure receipts, disbursements, transfers, and cash balances are accurately and consistently reported in the county budget documents.
- B. Not authorize disbursements in excess of budgeted amounts. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.
- C. Ensure the county's published financial statements accurately report the financial position of all funds.
- D. And the County Recorder work together to review the balance of the Recorder User Fee Fund and prepare a formal plan to utilize the funds.

- E. Prepare and document a road and bridge maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

- A. *The County Clerk will ensure that receipts, disbursements, transfers, and cash balances are accurately and consistently reported in the county's budget documents.*

The County Commission provided the following responses:

- B. *We will not authorize disbursements in excess of budgeted amounts. Extenuating circumstances will be fully documented and, if necessary, budgets will be properly amended following the same process by which the county's annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.*
- C. *We will ensure the county's published financial statements accurately report the financial positions of all funds.*
- D. *The new Recorder inherited a unusually high balance in this account and, working within the statutes that govern this account, has expended approximately \$100,000 from the fund. The County Commission and the Recorder will continue to work together to review the balance of the Recorder User Fee Fund and will prepare a plan to use the funds and reduce the accumulated balance.*
- E. *Because Stone County is one of two counties in the state that have adopted the County Highway Commission (Alternate Form) under Sections 230.200 through 230.260, RSMo, this is the responsibility of the Stone County Highway Commission. The Highway Commission will prepare an annual road and bridge maintenance plan at the beginning of each budget year, periodically update the plan throughout the year, and review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects. The County Highway Commission will endeavor to better document its activities.*

The County Recorder of Deeds provided the following response:

- D. *I am currently working on a five year plan for document conversion. This will substantially reduce the balance in the Recorder User Fee account. Also, I am considering some advancement in technologies and greatly needed record storage within the years 2009 and 2010.*

4.**Neighborhood Improvement Districts**

Adequate assessment revenues are not collected from landowners within the Black Oak Mountain Resort NID, and General Revenue Fund monies have been used to fund the NID bond payments. As of December 31, 2007, over \$300,000 is owed to the county's General Revenue Fund by the Black Oak Mountain Resort NID, and according to county budgets, the amount owed is anticipated to exceed \$400,000 by the end of 2008.

The County Commission established three NIDs (Black Oak Mountain Resort, Edgewater Village, and Stonebridge Village) to develop roads and construct water and sewage systems. Bonds were issued to be paid through a special assessment on property within the NIDs. Since issuing over \$8 million in bonds in 2000, the county has had to supplement bond payments of both the Black Oak Mountain Resort and Edgewater Village NIDs. However in 2005, the Edgewater Village NID collected adequate assessments to repay the county \$82,748, representing the entire amount owed to the county plus interest. The Edgewater Village NID continues to collect adequate assessments to fund current bond payments.

As of December 31, 2007, the Black Oak Mountain Resort NID owed the county's General Revenue Fund \$311,497 plus interest, and according to the county's 2008 budget document, the county estimates an additional \$134,760 will be needed to supplement the 2008 bond payments. Delinquent NID assessments have contributed to the Black Oak Mountain Resort NID Fund not generating enough revenue to pay the bond debt service requirements. As of February 28, 2008, nearly \$900,000 in special assessments charged to property owners in the Black Oak Mountain Resort NID were delinquent and the county has only been able to sell a few of these properties for nonpayment.

The county refinanced the Black Oak Mountain Resort NID bond obligation in 2005 at a lower interest rate to help alleviate the need for the county to fund portions of the required bond payments. Additionally, as recommended in our prior audit report, the County Commission adopted a formal management plan to monitor and evaluate the three NIDs. The management plan indicates that the county believes it will no longer have to fund the Edgewater Village or the Stonebridge Village NIDs, but will have to continue to fund the Black Oak Mountain Resort NID and will pursue litigation to recoup county funds. The county currently has litigation pending against the developers, contractor, and former bond counsel of the Black Oak Mountain Resort NID. As noted in MAR finding number 3, the county's budget document for the NIDs did not include accurate cash balances and did not report all revenues and disbursements. To ensure the county is properly monitoring NID funds, the budget documents should include complete and accurate financial information.

Additionally, the county was a defendant in a lawsuit filed in March 2005 by a landowner in the Black Oak Mountain Resort NID. The court held \$39,000 in trust and the case was dismissed in November 2006; however, the county did not take action to obtain these funds from the court until we brought it to the attention of the Circuit Clerk and the county's legal counsel in February 2008. The county subsequently received and deposited the \$39,000 in the General Revenue Fund to reimburse a portion of the amount owed to the county.

WE RECOMMEND the County Commission continue to monitor the solvency of the Black Oak Mountain Resort NID, prepare complete and accurate budget documents for NID funds, and ensure NID funds held by the court are obtained in a timely manner.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We continually monitor the solvency of the Black Oak Mountain Resort NID. In each year's budget, the Commission and the Clerk forecast NID expenditures, forecast revenues from special assessments, and budget funds to make up the projected shortfall. The County Commission has obtained and distributed the funds that had been held by the Circuit Clerk.

5. County Vehicle Procedures

The county does not have procedures for comparing fuel purchases to fuel usage. Additionally, mileage records maintained for road and bridge vehicles do not differentiate mileage for employee commuting purposes, and mileage logs are not maintained for a county vehicle driven by the Prosecuting Attorney and his staff.

- A. The county's procedures to account for fuel are lacking. Fuel usage logs are maintained to account for fuel used; however, the county does not reconcile total fuel used to total fuel purchased. Such reconciliations are necessary to enable the County Commission to fully account for all fuel disbursements and identify significant loss or theft of fuel. The county maintains eleven bulk fuel tanks in several locations throughout the county for use in county owned vehicles and equipment. During the years ended December 31, 2006 and 2005, the county disbursed approximately \$395,000 and \$335,000, respectively, for bulk fuel.

This condition was addressed in our prior report and the County Commission responded that they had implemented a program to reconcile fuel usage, so that the County could fully account for all fuel expenditures, and identify significant loss or theft of fuel; however, reconciliations are not performed. Considering fuel purchases represent a significant and increasing cost to the county it is even more important that controls be put in place to account for fuel.

- B. Adequate mileage records are not maintained for the county road and bridge vehicles or for a county vehicle driven by the Prosecuting Attorney and his staff.

1. Some county vehicles assigned to road and bridge employees are housed at the employees' homes rather than at one of the road and bridge sheds. These vehicles are used for commuting purposes and mileage records do not differentiate commuting miles from miles used for county business. As a result, the county does not calculate commuting mileage and report the value on the employees' W-2 forms as taxable benefits. Thirteen road and bridge employees (approximately 37 percent of all road and bridge employees) are allowed to use county vehicles to commute between home and work.

The County Commission indicated several reasons for assigning vehicles in this manner, including: 1) these employees are on call 24 hours a day for emergency situations, 2) less response time is needed if emergencies arise, and 3) less mileage is incurred due to the location of homes as compared to work sites. However, the county has not documented the financial benefit to the county, determined the value of commuting benefits provided to employees and reportable to the Internal Revenue Service (IRS), or maintained documentation to support the reasons for the vehicle assignments to these employees. Although this condition was noted in our two prior audit reports, the County Commission has not addressed this issue with a formal written policy, and the number of employees assigned a vehicle has increased from five in 2002 to thirteen in 2006.

2. The County Prosecuting Attorney and staff members drive a county vehicle; however, mileage records are not maintained. The Prosecuting Attorney only records mileage when he fuels the vehicle at the Sheriff's department bulk fuel tank and submits this to the Sheriff's bookkeeper for her records.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

WE AGAIN RECOMMEND the County Commission:

- A. Reconcile fuel purchases to fuel usage and investigate any differences.
- B. Establish a written policy for officials and employees regarding the appropriate use of county vehicles and ensure detailed records are kept which distinguish commuting and business mileage. In addition, the County Commission should ensure compliance with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission will establish a procedure to reconcile fuel usage and will investigate any differences.*
- B. *Except for the Sheriff, no county elected officials use any of the county's vehicles for commuting purposes. The County Highway Commission will establish a policy for employees regarding appropriate use of the county's vehicles, will ensure that detailed records are kept that distinguish business and commuting mileage, and will ensure compliance with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles.*

The Prosecuting Attorney provided the following response:

- B. *We will follow the county guidelines as set by the County Commission.*

6. Payroll and Personnel Procedures
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Leave records are not maintained for salaried employees and a stipend paid to the Assistant Prosecuting Attorney is not subject to payroll withholdings or reported to the IRS.

- A. The county's personnel policy does not address leave time earned by salaried employees and records of vacation leave and sick leave earned, taken, and accumulated are not maintained for salaried employees. As a result, the County Commission has no documentation to support or justify the paid time off that is taken by these employees. The Presiding Commissioner indicated that these six employees do not earn a specified amount of vacation or sick leave, but if one of them needs to take an extended period of time off due to illness or other personal reasons, the county will continue to pay them their regular salary.

To ensure all salaried employees are treated equitably, the County Commission should consider a policy that defines the leave benefits provided to salaried employees. Additionally, documentation should be maintained of leave time taken to support amounts disbursed. The documentation should be prepared and signed by the employee, approved by the County Commission, and filed with the County Clerk.

- B. The county paid the Assistant Prosecuting Attorney a stipend totaling \$3,300 during 2007 that was not subject to payroll taxes or reported to the IRS. While the county personnel policy only provides health insurance coverage for county employees, a verbal agreement with the Assistant Prosecuting Attorney provided a stipend to cover health insurance for his family. The stipend was not included in the county payroll records, subject to the proper withholdings, and reported on the employee's

W-2 form, and a written contract with the Assistant Prosecuting Attorney defining this benefit could not be located.

Additional compensation or stipends should be subjected to payroll taxes and appropriately reported to the IRS. Further, the County Commission should review the personnel policy to ensure compliance or document exceptions through a separate written employment agreement.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Consider adopting a policy that defines leave benefits provided to salaried employees, and require documentation be maintained of leave time taken.
- B. Ensure all employee compensation is appropriately reported to the IRS and complies with established personnel policies. Any written contract documenting exceptions to the personnel policy should be maintained by the Prosecuting Attorney and filed with the County Commission.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *The County Commission, the department heads, and the elected officeholders monitor the activities and attendance of salaried employees, including leave benefits provided to salaried employees and monitoring leave time taken. The County Commission will consider adopting a policy that defines leave benefits provided to salaried employees, and whether to require that documentation is maintained of leave time earned and taken.*
- B. *The County Commission and the County Clerk will ensure that all employee compensation is accurately reported to the IRS. If the county continues the policy of allowing a stipend to the Assistant Prosecuting Attorney, the stipend will be documented in a written contract.*

The Prosecuting Attorney provided the following response:

- B. *Due to the fact that Assistant Prosecuting Attorneys earn less working for the county than they are capable of earning in private practice, part of my contract with my current assistant prosecutors beginning in January of 2007 was to pay \$300 per month toward family health insurance (the county only pays for the employees insurance) and to pay for two continuing legal education conferences annually, including one of our state seminars put on by the Missouri Association of Prosecuting Attorneys and the Missouri Office of Prosecution Services. The funds for these contractual provisions come from my discretionary funds which Missouri Law specifically provides can be used for such purposes. A copy of the contract has now been provided to the State Auditor's office.*

7.**Capital Asset Procedures and Records**

Procedures and records to account for county property are not adequate and county equipment is not always properly tagged to identify property as county owned.

The County Clerk maintains the overall county property records and it is each county official's responsibility to maintain an inventory listing of capital assets for their office and provide annual inventory reports to the County Clerk.

There is no documentation to indicate the County Clerk routinely requested inventory reports from county officials. Some county officials do not update their inventory listings annually and do not include information such as acquisition date, cost, and disposition date. We requested capital asset listings from all county officials, and noted one example where the officeholder's listing had not been updated since 2003.

Also, the County Clerk does not have procedures to identify purchases throughout the year and reconcile these purchases to additions to the inventory listing to ensure all capital assets are properly recorded. For example, the September 2007 purchase of the former Stone County Library building costing approximately \$71,000 was not on the county's capital asset listing as of June 2008. Additionally, construction performed in 2006 to one of the road and bridge department buildings costing approximately \$46,000, and 35 mobile and 23 portable radios purchased in 2005 by the Sheriff's department costing approximately \$38,000 were not recorded on the county's capital asset listing. Further, tags identifying property items as county property are not assigned and affixed to some county property items.

Adequate capital asset records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. Physical inventories and proper tagging of county property are necessary to evaluate the accuracy of the records and deter and detect theft.

Similar conditions were noted in prior audit reports.

WE AGAIN RECOMMEND the County Commission and the County Clerk work with other county departments to ensure annual physical inventories are conducted, inventory reports are submitted, and capital asset records are properly maintained. Additionally, the County Commission and County Clerk should implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

The County Commission and the County Clerk will adopt a policy that each department head and elected officeholder conduct and maintain accurate annual physical inventories of all items valued at over \$1,000, tag and track equipment acquisitions, and follow up on discrepancies identified during the annual physical inventory process.

8. Closed Meeting Minutes

Minutes were not prepared to document the matters discussed in closed meetings held between May 2005 and November 2006. The County Commission indicated they thought the County Clerk maintained minutes for closed meetings held during this time period; however, the County Clerk indicated that she was not present during these closed meetings and did not know what was discussed. Closed meeting minutes are currently maintained by the County Commission's secretary.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies the details that must be recorded. Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law regarding these closed meetings have been followed.

WE RECOMMEND the County Commission ensure minutes are prepared for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The County Commission will ensure that minutes are prepared for all closed meetings.

9. Prosecuting Attorney's Controls and Procedures
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Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. While the Prosecuting Attorney responded in the 2002 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved. As discussed below, at least \$17,800 was misappropriated from the Prosecuting Attorney's office during the three years ended December 31, 2007. Our review identified numerous control and procedural weaknesses such as undeposited monies are not adequately secured, deposits are not made timely, delinquent tax receipts are not reconciled to deposits or amounts transmitted to the Missouri Department of Revenue (DOR), and duties are not adequately segregated. Additionally, no attempt has been made to disburse

approximately \$27,600 in restitution payments to merchants. During the three years ended December 31, 2007, receipt records indicate the Prosecuting Attorney's office collected over \$1.2 million in restitution and fees.

- A. Poor internal controls and the failure to monitor an inactive bank account resulted in the misappropriation of approximately \$13,000 between February 2005 and September 2006 by the former Bad Check Clerk. Payments of bad check fees and restitution totaling approximately \$4,700 were received but not deposited, and checks totaling approximately \$8,300 were issued by the former Bad Check Clerk to herself from the Prosecuting Attorney's old bad check restitution bank account. The Prosecuting Attorney initially became aware of the misappropriation when he reviewed bank activity of the old restitution account. The Prosecuting Attorney subsequently contacted the Missouri State Highway Patrol to investigate. The former Bad Check Clerk was terminated in October 2006, pled guilty to felony stealing, was sentenced to probation, and was ordered to pay restitution.

According to the Prosecuting Attorney, at the time of the misappropriation, the former Bad Check Clerk was supposed to be reviewing old case files and determining the disposition of approximately \$27,600 held in the old bad check restitution bank account. This old account is still open and has had no activity since the misappropriation was discovered.

Inadequate segregation of duties and supervisory reviews allowed the misappropriation to occur and not be detected. Additionally, the failure to properly account for and identify inactive funds in the old bad check restitution account contributed to the misappropriation (see D and E below). The Prosecuting Attorney should ensure adequate controls are in place to prevent future misappropriations and ensure restitution is collected in full.

- B. Undeposited monies are not adequately secured. Bad check fees and merchant restitution receipts totaling approximately \$4,800 were reported stolen from the Delinquent Tax Clerk's personal vehicle. Additionally, there have been numerous questionable delays in some monies being deposited.

On August 23, 2007, the Delinquent Tax Clerk reported to the Stone County Sheriff's Department that receipts totaling approximately \$4,800 (consisting of \$3,100 in cash and \$1,700 in money orders) were stolen from her unlocked vehicle parked at her home overnight. According to the Prosecuting Attorney, the Delinquent Tax Clerk failed to take the \$4,800 to the bank on her way home from work the previous day. It was the responsibility of the Delinquent Tax Clerk to transmit all monies received at the Prosecuting Attorney's Office to the bank. The Sheriff's Department investigated the reported theft, no arrests were made, and no charges were filed. As of July 2008, neither the Prosecuting Attorney nor the Sheriff's Department have attempted to determine whether any of the missing money orders were negotiated.

During the time period just prior to and after this theft, we identified numerous instances where receipts were not deposited timely, and in several instances, the length of time between the receipt and the deposit is questionable. For example, bad check fees and merchant restitution receipts totaling \$1,310 (including \$791 in cash), received between July 10 and July 12, 2007, were not credited to the bank account until July 25, 2007. According to personnel of the Prosecuting Attorney's Office, the deposit was taken out of the office on July 13, 2007, by the Delinquent Tax Clerk to be deposited, but did not get credited to the bank account until the Delinquent Tax Clerk returned from vacation. Also, delinquent tax receipts totaling \$641 (all cash), received between July 6 and July 12, 2007, were not deposited until August 24, 2007 (the day after the reported theft noted above from the vehicle).

After the reported theft of the August 2007 deposit, the Prosecuting Attorney instructed the Delinquent Tax Clerk to no longer take deposits to the bank; however, questionable delays still existed in the timing of deposits. Bad check restitution and fees totaling \$4,043 (including \$1,000 cash) collected between March 14 and March 18, 2008, were not deposited until March 27, 2008, and according to the deposit receipt, they were taken to another bank location in a neighboring town instead of the local bank just blocks from the Prosecuting Attorney's office.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited on a timely basis and steps should be taken to ensure policies regarding depositing procedures are followed by employees. Additionally, the Prosecuting Attorney should work with the Sheriff's Department to determine if any of the money orders stolen from the Delinquent Tax Clerk's vehicle have been negotiated.

- C. Several weaknesses were identified in accounting for delinquent tax receipts. Receipt slips are not issued for delinquent tax receipts immediately upon receipt, receipts are not reconciled to deposits or transmittals to the Missouri DOR, and monies are not transmitted or disbursed to the DOR timely.
- Six payments for delinquent taxes counted on February 19, 2008, totaling \$1,377, were not receipted until February 25, 2008.
 - In September 2007, the Delinquent Tax Clerk wrote a receipt slip for a payment of \$100 for an individual's delinquent taxes; however, there is no documentation to show the \$100 money order was deposited or forwarded to the DOR. We contacted the individual who confirmed that no payment was made. The Delinquent Tax Clerk indicated she was not sure why she receipted a \$100 payment, but believes it was recorded in error.
 - Delinquent tax payments received are often not disbursed to the DOR until 30 to 60 days after receipt.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt for all monies. Additionally, receipt slips should be reconciled to the deposit slips and transmittals to the DOR. Further, funds should be disbursed to the DOR timely.

- D. Accounting duties are not adequately segregated which has led to the misappropriation of monies (see A above). The Prosecuting Attorney's Bad Check Clerk and Delinquent Tax Clerk are primarily responsible for collecting, recording, depositing, disbursing, and reconciling all monies. To ensure proper recording of all transactions, the duties of handling, recording, disbursing, and reconciling cash should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person, such as the Prosecuting Attorney, should review and initial bank reconciliations and agree recorded receipts to deposits and transmittals. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

This condition was noted in our two prior audit reports. Had this recommendation been implemented, the conditions noted above may have been prevented.

- E. No attempt has been made to identify the restitution payments that remain in the old bad check bank account (see A above), or to disburse the funds to the appropriate merchants. As of December 31, 2007, approximately \$13,300 remains in this account, \$13,000 is due to this account from the former Bad Check Clerk, and at least \$1,300 was disbursed from this account to a victim before restitution was collected. As a result, approximately \$27,600 has been collected in restitution, but not identified with a specific merchant.

To ensure all funds are properly accounted for, the Prosecuting Attorney should identify the cases associated with the balance in the old restitution bank account, disburse the funds, and close the account.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure controls are in place to prevent future misappropriations and restitution is collected in full.
- B. Investigate the missing money orders related to the reported theft and properly follow-up on any that have been cashed. Additionally, deposits should be made timely and steps should be taken to ensure policies regarding depositing procedures are followed by employees.
- C. Issue receipt slips immediately upon receipt for all monies and reconcile receipts to the deposit slips or transmittals to the DOR. Further, funds should be disbursed to the DOR timely.

- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, an independent person should perform documented reviews of the work performed.
- E. Identify payees associated with the funds held in the old bad check restitution account, disburse the funds, and close the account.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *Restitution is currently being collected on the misappropriated monies. I implemented written policies and procedures concerning collection of money in January 2008. Those policies have been amended to address the specific recommendations made in the audit and copies provided to the State Auditor's office. I am also reviewing the accounting records on a monthly basis to ensure these policies and procedures are being followed. Finally, we are making physical changes to the office so we can control access to the area where money is collected and reduce the number of people in the office at one time.*
- B. *I intend to investigate the missing money orders. Again, the recommendations have been addressed by implementing written policies and procedures noted in part A.*
- C. *The written policies and procedures regarding the receipt of delinquent tax monies include controls such as, cash is no longer accepted for delinquent tax payments, payments are to be receipted and recorded on a daily basis, payments are to be forwarded to the Missouri Department of Revenue on a weekly basis, and the delinquent tax bank account has been closed.*
- D. *The written policies and procedures noted in part A above, address the segregation of accounting duties.*
- E. *I concur and will work to identify and pay out the monies in the old restitution bank account and close the account. This account was kept open in part due to my agreement with the State Auditor's office in August 2006 that no action would be taken with this account until the Highway Patrol investigation concerning the theft mentioned in part A above and this audit had been completed.*

Significant improvement is needed in the Sheriff's reconciliation procedures and controls over cash receipts. Poor reconciliation procedures have resulted in the overpayment of fees and a negative bank account balance. Additionally, bookkeeping duties are not adequately segregated, and errors were identified on monthly reports. Further, commissions were miscalculated on a partition sale, resulting in an overpayment to the county treasury of approximately \$3,680. The Sheriff's department processed over \$1 million in receipts during the two years ended December 31, 2006.

A. Significant weaknesses were identified with the Sheriff's reconciliation procedures. Bank reconciliations have not been properly performed for the Sheriff's fee account for several years and listings of open items are not prepared and reconciled to the fee account balance.

- In December 2006, the Sheriff's department was notified by the bank that the account was overdrawn. The negative balance was the result of approximately \$9,800 in conceal to carry permit monies, collected between 2004 through 2006, being remitted in error to both the County Treasurer and the Missouri State Highway Patrol. Since reconciliations between the bank statement and the Sheriff's records were not performed, this error went undetected until the account balance fell below zero. Funds were transferred from the Sheriff's Civil Fee Fund to the Sheriff's bank account to compensate for the negative account balance. Had bank reconciliations been performed, this overpayment would have been detected sooner.
- At our request, the Sheriff's department prepared a bank reconciliation and an open items listing as of December 31, 2007. After completing the bank reconciliation and the open items listing, the Sheriff's bookkeeper discovered that incentive payments totaling approximately \$2,600, received from the Social Security Administration (SSA) for prisoners, had been direct deposited into the Sheriff's fee account during 2007 and 2006. These payments are incentives paid to Sheriff departments for reporting prisoner information to the SSA so prisoner benefits can be halted during incarceration. Again, had monthly bank reconciliations been performed, the Sheriff's department would have been aware these payments were being direct deposited into the Sheriff's bank account. These incentive payments represent accountable fees and should be turned over to the county treasury.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. In addition, reconciling the open items listing to the reconciled bank balance is necessary to ensure records are in balance and sufficient cash is available to pay all

liabilities. Without the preparation of such reconciliations, there is little assurance that receipts and disbursements have been properly handled and recorded.

B. Receipt procedures need improvements. Monies are received in several locations at the Sheriff's department. Bond monies are received at the jail; conceal to carry permit fees, fingerprinting fees, and record copies are collected at the dispatch window; and court fees are received directly by the Sheriff's bookkeeper. Monies collected at the jail and the dispatch window are transmitted to the bookkeeper to be deposited. A review of the Sheriff's procedures and controls over cash receipts identified the following concerns:

- Persons making payments at the dispatch window for fingerprinting and record copies do not receive a receipt slip unless requested at the time of payment. When these monies are received, the dispatch employee transmits the payment to the bookkeeper who records the payment and mails the person a receipt slip at a later date if an address is obtained. In addition, blank receipt slips used for conceal to carry permits are not stored in a secure location in the dispatch area.
- Receipt slips issued do not always include the method of payment received (cash, check, or money order) and the composition of receipt slips is not reconciled to the composition of deposits. Additionally, monies received by the bookkeeper, from the dispatch window and the jail, are not reconciled to the receipt slips issued at the dispatch window and the jail to ensure that all monies received have been properly transmitted to the bookkeeper and deposited. Further, checks and money orders received at all locations are not restrictively endorsed immediately upon receipt and the numerical sequence of receipt slips is not accounted for adequately.
- Some monies received are not recorded and deposited on a timely basis. Bond and fee monies totaling \$317, counted by us on January 30, 2008, were not recorded and deposited by the bookkeeper until February 5, 2008. Additionally, accounting records do not always provide adequate detail to indicate which cash receipts are included in the deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be written immediately upon receipt for all monies received, the numerical sequence of receipt slips should be accounted for, checks and money orders should be restrictively endorsed immediately upon receipt, and the composition of monies received (cash, checks, and money orders) should be reconciled to the composition of the deposits. Additionally, receipt slips should be stored in a secure location, receipts should be deposited timely, and accounting records should provide adequate detail of which cash receipts are included in the deposit. Further, monies transmitted from the dispatch window and the jail to the bookkeeper, should be reconciled to the receipts slips issued at the dispatch window and the jail.

- C. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper is responsible for receipting, recording, and depositing monies received, and preparing and signing checks. Although another employee is responsible for performing the bank reconciliation, as noted above, these reconciliations were not properly performed, resulting in no oversight of the bookkeeper's duties. Additionally, there is no indication of an independent review of the accounting records maintained by the bookkeeper.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Sheriff.

- D. Fees were not always turned over to the county treasurer monthly, and the monthly report of fees contained some calculation errors resulting in incorrect amounts being turned over to the county treasury.

Fees for October, November, and December 2007, totaling \$20,824, were not disbursed to the County Treasurer until January 15, 2008. State law requires that all fees collected by the Sheriff be distributed monthly.

Additionally, the monthly report for July 2005, contained several calculation errors. Civil fees totaled \$1,535, but the monthly report calculation showed the total to be \$29,750. When the July fees were disbursed, the \$29,750 was changed to \$2,975 resulting in a \$1,440 overpayment to the county treasury.

Timely disbursements of fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner. Further, the Sheriff's monthly report of fees should be reviewed for accuracy and reconciled to amounts deposited to ensure disbursements are calculated correctly.

- E. The Sheriff incorrectly calculated the commission withheld from a September 2007 partition sale, resulting in approximately \$3,680 being over withheld from the proceeds. In addition, commissions totaling approximately \$4,245 from this partition sale, \$1,885 from a partition sale held in 2005, and \$2,253 from a seized property sale held in 2007, were deposited into the Sheriff's Civil Fund rather than the county's General Revenue Fund.

Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. Further, Section 542.301, RSMo, states the proceeds of any sale, less necessary expenses of preservation and sale, shall be paid into the county treasury for the use of the county. The Sheriff should ensure that commissions on partition sales

are calculated correctly and disbursed to the county treasury to be deposited in the General Revenue Fund.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are performed on a monthly basis and open items listings are prepared and reconciled to the account balance monthly.
- B. Issue receipt slips immediately upon receipt for all monies received, account for the numerical sequence of receipt slips, and reconcile the composition of receipts to the composition of deposits. Additionally, checks and money orders should be restrictively endorsed immediately upon receipt, deposits should be made timely, accounting records should specify which cash receipts are included in the deposit, and receipt slips should be stored in a secure location. Further, all money transmitted to the bookkeeper for deposit should be reconciled to amounts received at the jail and the dispatch window.
- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Disburse fees to the County Treasurer monthly, review monthly reports of fees for accuracy, and reconcile reported amounts to deposits to ensure disbursements are calculated correctly.
- E. Ensure commissions on partition sales are calculated correctly and disbursed to the county treasury to be placed in the General Revenue Fund.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Bank reconciliations are now being performed monthly by someone independent of the bookkeeper. I am considering sourcing this service out to an independent accounting firm or individual.*
- B. *We have implemented procedures to address all of these recommendations. Official receipt books were purchased and receipt slips are now being issued at all collection points and the numerical sequence and composition of all receipt slips is being accounted for.*
- C. *Accounting duties have been properly segregated and I am documenting my review of bank reconciliations.*
- D. *I will ensure that all fees collected are accurately calculated and turned over to the County Treasurer on a monthly basis.*

- E. *This partition sale commission amount has been fixed and checks were reissued to the appropriate individuals. I will ensure the all future sale calculations are double checked for accuracy and the correct amounts are paid to the appropriate individuals and county fund.*

11. Circuit Clerk's Procedures

Procedures related to monthly bank reconciliations, open items, and accrued costs are in need of improvement. The Circuit Clerk processed approximately \$3.3 million in civil and criminal case fees, fines, and bonds during the two years ended December 31, 2006.

- A. During 2007, 2006, and 2005, the Circuit Clerk's bank reconciliation procedures were not adequately documented. Differences between the reconciled bank balance and the open items balance were approximately \$30,000 and \$60,500 at December 31, 2006 and 2005, respectively. In both instances the open item balance exceeded the reconciled bank balance, indicating a potential shortage. In addition, numerous positive and negative adjustments were made to the bank reconciliations without adequate documentation as to why the adjustments were necessary. According to the Circuit Clerk, the differences and the adjustments were the result of consolidating the Circuit, Associate, and Probate Courts and converting court records to the Justice Information System (JIS), a statewide automated record keeping system; however, documentation was not maintained to adequately support the adjustments and why differences existed.

At December 31, 2007, the bank reconciliation report printed from the JIS system showed that the reconciled bank balance agreed to the open items amount; however, a detailed open items listing was not printed and retained to properly document the records were in agreement. According to the Circuit Clerk, she did not print the entire open items listing and was unable to go back to reprint the list.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. In addition, reconciling the open items listing to the reconciled bank balance is necessary to ensure records are in balance and sufficient cash is available to pay all liabilities. To ensure receipts and disbursements have been properly handled and recorded, adequate documentation should be maintained of the reconciliation process.

- B. At January 31, 2008, the Circuit Clerk was holding several old open items. The court was holding \$39,000 related to a case disposed in 2005 involving Stone County and the Black Oak Mountain Resort NID. After our inquiry the Circuit Clerk obtained a payout order from the Judge and disbursed \$39,000 to the county in February 2008. The open items balance was approximately \$150,000 at January 31, 2008.

The failure to routinely review open items and disburse monies when appropriate increases the volume of cases which must be monitored and deprives the state, county, or others the use of those monies. A procedure to routinely review case open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law.

- C. A significant amount of accrued costs are due to the Circuit Court. While a listing of accrued costs is maintained through the court's computer system (JIS), the Circuit Clerk does not have procedures to monitor the amounts due to the court. The Circuit

Clerk indicated that she participates in the state's debt collection and tax offset program to collect amounts due to the court. As of January 15, 2008, approximately \$1.8 million was due to the court.

The Circuit Clerk should periodically monitor accrued costs for accuracy and completeness and take appropriate steps to ensure amounts owed are collected. Establishing procedures to ensure cases are updated or removed from the accrued cost list, as appropriate, would help ensure the list is complete and accurate.

WE RECOMMEND the Circuit Clerk:

- A. Ensure detailed open items lists are printed each month and reconciled to the bank account. Any differences identified should be investigated and resolved. In addition, detailed documentation should be maintained to support this process.
- B. Routinely review open items and disburse monies as appropriate.
- C. Establish procedures to monitor and collect accrued case costs.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I have always taken great pride in balancing each and every account to the penny that I have been responsible for every month since assuming this office in March of 1986. Then when our courts consolidated in January 2005, I took over all the accounting responsibilities for both offices. Each month every penny was accounted for after that change took place. However, in July 2005, Stone County went on a new Judicial Court Information (JIS) computer system. We did have an onsite accountant with us for four weeks but all he did was show us how to receipt and disburse money. He was training 12 people so his time was very limited with each clerk. At that time, we were more interested in getting all the correct information regarding the case filing(s) because the information would be going out to the public via the internet. I was told prior to going on JIS that I would have the luxury of an onsite accountant for reconciliation of back statements and balancing of open items listings*

for two month after going on JIS. That did not occur. I wrote several emails and made many phone calls to the Office of State Courts Administrator (OSCA) asking that they help me get my open items and general ledger balanced. (Some of the copies have been provided to the State Auditor's office). They did not get this accomplished until December 2007. Each month the books did balance with the bank statement. Unfortunately, when I ran the December 2007 open items list I just ran the summary sheet and failed to get a detailed open items listing for that month. The JIS computer is a very time sensitive system and does not allow for a report to be run on the first day of the month, I recently found out from OSCA that our particular system has a glitch in it and takes approximately three hours to post the end of the month checks. The report can only be run on the last day of the month to get the amounts to balance.

- B. I do routinely review open items and disburse when appropriate. I am responsible for that money and want to be assured the right person gets paid the right amount. When we went on JIS in 2005, I tried my best to get all open items disposed of; however, there were some that were to be held in the court's registry until there was a pay out order prepared. On January 31, 2008, the court was holding \$44,602.50 in criminal bonds that cannot be disbursed until a case is disposed of by the court. We were holding \$19,226.59 in adult drug treatment fees and interest in the amount of \$9,352.95 which is to be used at the discretion of the court. Also, approximately \$5,000 was being held in domestic relations/paternity cases in which the parties have been asked to deposit certain amounts into the registry of the court for the benefit of guardian ad litem (GAL) appointed for children in such cases. That money cannot be paid out until the case is finalized and the Judge assesses the total amount of GAL fees to be paid and by whom. In regard to the \$39,000 that was held in open items in Stone County v. Black Oak Mountain (Quanah Corporation) I notified the Stone County Counselor orally several times to get this situation resolved and got no response. The case was dismissed on November 3, 2006. I wrote letters dated January 15, 2007 and April 7, 2007 (copies are provided for auditors) trying to get an order typed up for the Judge's signature. Finally, I did receive a payout order on February 27, 2008. Money was disbursed the next day.*
- C. Since the inception of JIS all civil costs are paid up front. The criminal cases, however, accrue costs until they are finally disposed of. This includes regular costs, witness fees, board bills, medical bills, etc. In the past, when this office sent out cost bills many times they were returned as "no longer at this address". So we had no way of tracking down the defendant except by issuing a warrant for their arrest. On December 30, 2005, Stone County was first in the 39th Judicial Circuit to go on Debt Collection and Tax Offset as a provided service of the Office of State Courts Administrator. This attaches any fees owed to the court to a defendant and SSN. Since that time, this office has collected \$33,936.09 (copy is provided for auditors). So I feel I am doing everything I can to collect any fees due to Stone County.*

Approximately \$102,000 is due to the county from the accounts of some wards of the Public Administrator at December 31, 2007. Additionally, annual settlements were not always filed in a timely manner.

- A. The Public Administrator did not pay fees and expenses to the county from the accounts of some wards resulting in approximately \$102,000 due to the county at December 31, 2007. When the Public Administrator receives a salary and reimbursement of expenses from the county, state law allows for fees and expenses assessed by the Probate Court on Public Administrator cases to be paid to the county's General Revenue Fund. The Public Administrator indicated if the ward did not have adequate funds left after all living expenses and legal costs were paid, then the court approved fees and expenses would not be paid to the county. Although the Public Administrator keeps a listing of accumulated unpaid fees and expenses, she does not report the unpaid amounts to the County Commission.

The Public Administrator should work with the Associate Circuit Judge and the County Commission to ensure unpaid fees are properly monitored and collected to the extent possible.

- B. Annual settlements are not always filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held as well as financial activity for the year. The court notifies the Public Administrator of approaching settlement due dates; however, some settlements were still filed late. For example, one annual settlement reviewed for the period May 2006 through April 2007 was not filed with the court until October 24, 2007. Another settlement reviewed for the period November 2006 through October 2007 was not filed with the court until February 11, 2008.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

WE RECOMMEND the Public Administrator:

- A. Work with the Associate Circuit Judge to develop a plan to recoup monies owed from estates and inform the County Commission of the fees due to the county.
- B. Ensure annual settlements are filed in a timely manner.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *Concerning the fees and expenses owed to the County from estates in the amount of \$102,000, your recommendation is to develop a plan to recoup the monies. All of the estates that this office serves are charged the same hourly rate for fees and expenses whether there are funds available to pay them or not. My caseload is 95 percent indigent and due to Medicaid budget cuts, even when there are extra funds available, many times these have to go to the care of the ward for clothing, dental needs, eye care, etc. I always have and will continue to collect the fees and expenses if the monies are available. However, due to the aforementioned indigent caseload, there will always be a large amount of fees and expenses that go unpaid.*

I do report the fees and expenses charged and accruing to my office on a monthly basis to the Clerk of the Stone County Commission per my statutory duties set out in RSMo 50.370. It is my understanding that these reports have not been made available to the Commission and in light of this, I will start submitting a copy to both the County Clerk and the Stone County Commission. I would agree that my monthly report only lists the individual estates with amounts owed to the county and does not include a total. I will start giving a summary sheet to both the Commission and Clerk listing the grand totals due to Stone County on a monthly basis.

- B. *I have implemented this recommendation. All annual settlements and reports are now current and up to date. I will endeavor to make all future filings in a timely manner.*

13. County Treasurer's Settlements

The County Treasurer's semi-annual settlements for the six months ended December 31, 2007 and 2005 contained errors. In addition, a thorough review of the settlements is not performed by the County Commission and/or the County Clerk. The County Treasurer prepares a settlement, which is a report to the County Commission of the receipts, disbursements, and ending cash balances of all funds and shows the reconciliation of total cash balances to the bank account balances.

Some amounts were omitted from the settlements and some totals were not calculated correctly, resulting in differences between the amounts reported on the settlements and the County Treasurer's records. Because of formula errors in the County Treasurer's spreadsheet, the settlement for the six months ended December 31, 2007, reported receipts of \$2.9 million and disbursements of \$2.8 million, while actual receipts and disbursements were \$8.7 million and \$9.1 million, respectively. Additionally, the settlement for the six months ended December 31, 2005, omitted the receipt and transfer of flood control monies totaling \$8,623, and did not report the correct beginning balance of the Library Building Reserve Fund of \$15,000. After we brought this to the attention of the County Treasurer, corrections were made to the settlements.

Sections 54.150, 51.150.1, and 49.260, RSMo, outline various reporting and review procedures required of the County Treasurer, County Clerk, and County Commission, respectively. The County Treasurer is required to report all accounts semi-annually. The County Clerk is required to reconcile the receipts and disbursements with the County Treasurer. In addition, the County Commission is required to review the balances in the funds held by the County Treasurer. Preparation of a complete and accurate semi-annual settlement, along with thorough reviews by other officials, should satisfy these requirements and improve the likelihood that all county funds are properly and accurately reported.

WE RECOMMEND the County Treasurer prepare complete and accurate semi-annual settlements. In addition, the County Clerk and County Commission should perform thorough reviews of the semi-annual settlements.

AUDITEE'S RESPONSE

The County Commission and Treasurer provided the following response:

The spreadsheet created for the semi-annual settlement has been repeatedly adjusted to allow for new funds created either by the County or by law. These changes created errors in the formulas that totaled revenues and expenditures at the bottom of the form. However, the Treasurer's fund balances and cash balances were always correct. The amounts omitted were NID funds held not in the County's bank account, but by the NID Trustee at its bank. These are now attached to each settlement as an addendum to the settlement.

14. Assessor's Records

The Assessor's Office does not retain documentation of charge account information once amounts are paid. The Assessor allows businesses and individuals to charge fees for maps, faxes, and copies, and collects approximately \$15,000 annually from these fees. As of December 31, 2007, the Assessor's records reflected approximately \$1,140 in fees were unpaid, with some of the charges dating back to 2006; however, charge account documentation is thrown away once the business or individual pays off the charges. To ensure all unpaid fees are properly collected, documentation of amounts charged and collected should be retained.

WE RECOMMEND the Assessor retain documentation for all fees charged and subsequently paid to ensure all amounts due have been appropriately collected.

AUDITEE'S RESPONSE

The Assessor provided the following response:

I concur with the auditor's recommendation and will retain all original documentation of charge accounts and will enforce collection of any monies owed to the county. I also have implemented a new Assessor's internet web page which allows individuals to access the information free of charge and has decreased the need for charge accounts.

15. Emergency 911 Board

Budgets did not accurately reflect the Emergency 911 Board's actual financial condition for the two years ended December 31, 2006, actual disbursements exceeded the budgeted amounts, and published financial statements did not comply with state law. Additionally, vehicle procedures need improvement.

A. The Emergency 911 Board's budgeting procedures need improvement.

1. The approved budget documents did not accurately reflect the actual financial condition of the Emergency 911 Board for the two years ended December 31, 2006. For example, actual revenues on the 2007 budget did not include federal grant proceeds of approximately \$29,600 in 2006 and interest revenues totaling approximately \$34,900 and \$26,900 during 2006 and 2005, respectively.

In addition, the beginning cash balances on the Emergency 911 Fund budgets at January 1, 2006 and 2005, were overstated by \$99,021 and \$95,606, respectively. Further, the cash reconciliation portion of the 2007 budget computed the ending cash balance at December 31, 2006, as \$940,596 when actual cash available at this time was only \$544,237, a \$396,359 difference. The Emergency 911 Director indicated that he was not sure why the cash balances were not accurately reported on the board's budgets; however, the board has made improvements to its budgeting process, and the 2008 Emergency 911 Fund budget accurately reports the cash balance and also includes interest revenues.

For the budget documents to be of maximum assistance to the Emergency 911 Board and to adequately inform county residents of the Board's operations and current financial position, the budget documents should be complete and accurate. Further, Section 50.590, RSMo, requires budgets to include accurate revenue and disbursement figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year.

2. Actual disbursements exceeded the budgeted amounts for the Emergency 911 Fund by \$266,030 in 2006. Although the board minutes indicated the board reviewed and amended the budget in October 2006 in anticipation of purchasing new dispatching software, amended budget documents were apparently not prepared and approved by the board, or filed with the State Auditor's office.

Case law provides that strict compliance with county budget laws is required. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. The Emergency 911 Board's published financial statements did not list disbursements by vendor, and in 2006, the Emergency 911 Board published budgeted amounts rather than actual amounts. Section 50.800, RSMo, requires detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Emergency 911 Board's financial activities, all information required by law should be included.
- C. Vehicle mileage logs are not reconciled to fuel purchases and do not always include information such as beginning and ending odometer readings, destinations traveled, and the purpose of Emergency 911 business. The Emergency 911 Board has two vehicles that are to only be used for Emergency 911 business. Additionally, in August 2007, the Emergency 911 Board purchased \$500 in Wal-Mart gift cards to be used to purchase fuel at a discount for the Emergency 911 vehicles; however, supporting documentation was not obtained to document how the gift cards were used. Gift cards for lesser amounts were also purchased in other months during 2007. Further, a \$100 travel advance was paid to an employee for fuel with no supporting documentation obtained to indicate how the advance was spent.

Complete and accurate mileage logs are necessary to document appropriate use of the vehicles and to support fuel charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for Emergency 911 business and information on the logs should be reconciled to fuel purchases and other maintenance charges. Additionally, adequate documentation should be maintained to support how gift cards and travel advances are used to ensure the purchase is a proper disbursement of Emergency 911 funds.

WE RECOMMEND the Emergency 911 Board:

- A. Ensure budget documents accurately reflect cash balances and include all revenue sources. In addition, the Board should refrain from approving disbursements which exceed budgeted amounts. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
- B. Ensure that the published financial statements comply with state law.
- C. Require employees to maintain adequately detailed vehicle mileage logs and reconcile fuel purchased to amounts recorded on the logs. In addition, adequate documentation should be maintained to support how gift cards and travel advances are used.

AUDITEE'S RESPONSE

The Emergency 911 Board provided the following responses:

- A.1. *We will strive for accuracy when creating the budget and when reporting our financial position to the board and the county residents.*
- 2. *We will ensure all budget amendments get filed with the State Auditor, as required by law.*
- B. *We will publish our financial statements as recommended.*
- C. *We have implemented procedures to accurately report company vehicle usage. Also, we will no longer purchase gift cards due to their inability to be tracked.*

16. Senior Citizens Service Board
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The Senior Citizens Service Board minutes were not signed and did not contain adequate detail regarding abstentions from voting by board members with potential conflicts of interest. Additionally, published financial statements did not contain adequate detail.

- A. We noted the following concerns pertaining to the Senior Citizens Service Board's minutes and meetings.
 - 1. While the Senior Citizens Service Board minutes were approved at each meeting, they were not signed by the board president or the board secretary. The board minutes should be signed by the board secretary as preparer and by the board president or other board member to provide an independent

attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

2. Two of the Senior Citizens Service Board members are also board members of not-for-profit (NFP) organizations that receive funding from the Senior Citizens Service Board. Although board members maintain that these members do not vote on issues involving funding provided to these NFPs, the minutes do not always clearly indicate how each member voted or abstained from voting on conflicting issues. In one instance, the minutes indicate the issue passed but did not provide details on the votes cast. In another instance, one of the board members made the motion to approve funding amounts to the NFP board he or she served on and the minutes indicate the motion passed unanimously.

Section 610.020, RSMo, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative the minutes be prepared to clearly document all business and discussions conducted, and include signatures of the preparer and the board president. Further, to reduce the appearance of a conflict of interest, the Senior Citizens Service Board should ensure any board member with an interest in an NFP that receives board funds abstain from voting and such action is disclosed in the board minutes.

- B. The Senior Citizens Service Board's published financial statements did not list disbursements by vendor. Only a summary of the amounts that passed through the County Treasurer were included in the county's published financial statements. Section 50.800, RSMo, requires detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Senior Citizens Service Board's financial activities, all information required by law should be included.

WE RECOMMEND the Senior Citizens Service Board:

- A.1. Ensure board meeting minutes are signed by the preparer and the board president to attest to their completeness and accuracy.
2. Ensure board members with an interest in a NFP that receives board funds abstain from voting on such action and board minutes clearly indicate individual votes, including any member who abstains.
- B. Ensure that published financial statements are adequately detailed as required by law.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following response:

We concur and will comply with the auditor's recommendation.

Follow-Up on Prior Audit Findings

STONE COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

The prior recommendations which have not been implemented are repeated in the current MAR.

1. Payroll and Personnel Procedures

- A. Time sheets or other records of actual time worked were not maintained by some salaried employees, and time sheets prepared by some hourly-paid employees did not include documentation of supervisory approval.
- B. Compensation paid to two employees of the County Clerk's office for time spent preparing the county's published financial statement, and compensation paid to a seasonal employee in the County Collector's office were not processed through the county's payroll system. As a result, payroll taxes were not withheld and the compensation was not reported on the employees' W-2 forms.

Recommendation:

The County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure all salary payments and wages are subject to payroll withholdings and reported on W-2 forms.

Status:

- A. Partially implemented. The County Commission has categorized salaried employees as exempt employees under the Fair Labor Standards Act in the county's personnel policy, and does not require time sheets for these employees. However, documentation of leave earned and used was not adequately maintained for these employees. See MAR finding number 6. Additionally, all time sheets we reviewed were approved by supervisors.
- B. Not implemented. See MAR finding number 6.

2. Road and Bridge

- A. Fuel usage logs were not reconciled to fuel purchased.
- B. Three road and bridge foremen and two administrative clerks used county vehicles to commute between home and work; however, records of mileage incurred on the county vehicles for commuting purposes were not maintained and reported in compliance with IRS guidelines.

Recommendation:

The County Commission:

- A. Reconcile fuel purchased to fuel usage and investigate any differences.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

Status:

Not implemented. See MAR finding number 5.

3. General Fixed Assets

Fixed asset inventories were not always completed annually, and the inventory listings did not always include information applicable to the item, such as cost and date of acquisition. Additions to the inventory listing were not reconciled to equipment expenditures to ensure all fixed assets were properly recorded.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include the necessary definitions, address important dates, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property.

Status:

Partially implemented. While the county has developed a policy, the policy is not always followed. See MAR finding number 7.

4. County Collector's Procedures

- A. The annual settlements prepared by the County Collector were not always complete and accurate. In addition, the account book maintained by the County Clerk was not used to review or verify the accuracy of the County Collector's annual settlements.
- B. The County Collector did not prepare a formal reconciliation indicating checks outstanding and deposits in transit. As a result, there were small unidentified balances in some of the bank accounts.
- C. The Collector had an old bank account that was no longer used which had outstanding checks and accumulated interest totaling \$1,423.

Recommendation:

The County Collector:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.
- B. Reconcile the bank accounts monthly and investigate and resolve the differences between bank records and internal accounting records.
- C. Close the inactive bank account and distribute any monies which can be identified to the appropriate parties. Any monies which cannot be identified should be remitted to the state Unclaimed Property Section or the county Unclaimed Fees Fund.

Status:

- A. Not implemented. See MAR finding number 2.

B&C. Implemented.

5. Assessor's Accounting Controls and Procedures

- A. Receipts were not always transmitted to the County Treasurer intact and on a timely basis. Some cash receipts were used for a change fund; however, the change fund was not maintained at a constant amount. In addition, no reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer was performed by the County Assessor.
- B. Checks were not restrictively endorsed immediately upon receipt.

- C. The duties of receiving, recording, and transmitting monies to the County Treasurer were not adequately segregated.

Recommendation:

The Assessor:

- A. Transmit all monies received to the County Treasurer intact and reconcile monies transmitted to receipt records. If a change fund is needed it should be maintained at a constant amount. In addition, monies should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. Restrictively endorse checks immediately upon receipt.
- C. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.

Status:

Implemented.

6. Prosecuting Attorney's Records and Procedures

- A. The duties of collecting, recording, depositing, and disbursing all monies were not adequately segregated.
- B. The Prosecuting Attorney's staff only prepared bank reconciliations every two or three months and the open items listing was not prepared and reconciled to the cash balance. At our request, an open items listing was prepared and all but \$92 of the \$41,945 December 31, 2002, balance was identified with a specific case.
- C. The Prosecuting Attorney's bank accounts had numerous checks which had been outstanding more than one year.
- D. There was no statutory authority for the Prosecuting Attorney to maintain custody of the Child Assessment Center Grant account and the County Commission was not a party to the grant contract with the Department of Family Services.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

- B. Prepare bank reconciliations for all accounts on a monthly basis, prepare monthly listings of open items, and reconcile to the cash balance, and attempt to identify the unidentified amount.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Ensure the County Commission is a party to the Child Assessment Center Grant contract and turn over the proceeds of the Child Assessment Center Grant Fund to the County Treasurer.

Status:

A,B,
&C. Not implemented. See MAR finding number 9.

D. Implemented.

7. Sheriff Board Bill Procedures

The Sheriff's department did not routinely compare prisoner board bills to subsequent payments. In addition, the Sheriff had no formal follow-up procedures for unpaid board bills.

Recommendation:

The Sheriff compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

Status:

Implemented.

8 Health Center

- A.1. The responsibilities of recording and depositing receipts, reconciliations, and preparing and signing checks were not adequately segregated.
- 2. Receipt slips were not issued for some monies received and monies received were not always deposited intact in a timely manner.
- B. Budgets prepared by the health center were not accurate and complete.

Recommendation:

The Health Center Board of Trustees:

- A.1. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of receipts and deposits and monthly bank reconciliations should be performed and documented.
- 2. Require prenumbered receipt slips be issued for all monies received and the composition of receipts reconciled to deposits. In addition, ensure all monies are deposited intact daily or when accumulated receipts exceed \$100.
- B. Ensure the budget is prepared accurately to reflect the financial activity and cash balances of the health center.

Status:

The health center was not included in the scope of the current Stone County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STONE COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Stone was named after William Stone, a pioneer judge of Taney County. Stone County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Galena.

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 582 miles of county roads and 24 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 15,587 in 1980 and 28,658 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2006	2005	2004	2003	1985* 1980**
		(in millions)				
Real estate	\$	325.3	309.6	273.1	261.6	82.6 26.7
Personal property		86.2	85.5	78.2	78.3	20.2 13.3
Railroad and utilities		13.0	13.0	13.5	14.0	5.5 4.3
Total	\$	424.5	408.1	364.8	353.9	108.3 44.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Stone County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.1300	.1300	.1300	.1300
Senior Citizens Services Fund		.0480	.0480	.0494	.0494

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 130,078	124,052	112,625	109,376
General Revenue Fund	573,896	548,267	496,345	483,221
Special Road and Bridge Fund	5,086	4,966	4,257	4,336
Assessment Fund	240,271	229,853	200,452	178,710
Health center	335,571	320,571	298,831	290,559
Senior Citizens Service Fund	202,693	193,548	180,659	175,508
School districts	16,297,764	15,432,868	13,773,581	12,860,157
Library district	418,702	281,488	262,273	255,056
Fire protection district	268,073	252,574	282,577	753,087
Junior college	21,456	20,493	19,625	17,345
Neighborhood Improvement Districts Fund	710,436	1,075,203	650,392	785,078
Community improvement district	3,205	0	0	0
Cities	41,448	36,402	34,444	34,061
County Clerk	550	513	655	570
County Employees' Retirement Fund	115,517	112,435	105,605	106,520
Tax Maintenance Fund	40,491	46,012	38,437	42,627
Commissions and fees:				
General Revenue Fund	515,750	465,462	425,650	402,227
Total	\$ 19,920,987	19,144,707	16,886,408	16,498,438

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
Real estate	92	93	92	92 %
Personal property	91	90	91	91
Railroad and utilities	100	99	100	100

Stone County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.00500	None	50	%
Road capital improvements	.00500	None	None	
Law enforcement	.00500	None	None	
Emergency 911	.00125	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
George Cutbirth, Presiding Commissioner		31,700	31,700	31,700	31,700
Jerry Dodd, Associate Commissioner		29,700	29,700	29,700	29,700
Steve White, Associate Commissioner		29,700	29,700	29,700	29,700
Judy Berkstresser, County Clerk		45,000	45,000	45,000	45,000
Matt Selby, Prosecuting Attorney		96,000	96,000	96,000	96,000
Richard Hill, Sheriff		50,000	50,000	50,000	50,000
Kristi Stephens, County Treasurer		45,000	45,000	45,000	45,000
Garrick Stumpff, County Coroner		16,000	16,000	16,000	16,000
Wendy Metcalf, Public Administrator		45,000	45,000	45,000	45,000
Vicki May, County Collector, year ended February 28 (29),	45,000	45,000	45,000	45,000	
Allen Berkstresser, County Assessor (1), year ended August 31,		45,688	45,688	45,765	45,866
John Read, County Surveyor (2)					

(1) Includes \$688, \$688, \$765, and \$866 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

(2) Compensation on a fee basis.

State-Paid Officials:

Cathy Shortt, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,850	47,300
Alan Blankenship, Associate Circuit Judge	96,000	96,000	96,000	92,000
William Kirsch, Associate Circuit Judge				4,000

In 1992, the county entered into a \$2.9 million cancelable lease for the purchase of the county law enforcement center. The 1992 lease was called in 1998 and the county subsequently entered into a \$3.66 million cancelable lease for further improvements to the county law enforcement center. Principal and interest payments are made from the General Revenue Fund. At December 31, 2006, the principal balance of the lease was \$2.5 million. If the county makes the minimum lease payments, the lease will be paid in full by 2017.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Livingston County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Livingston County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-85

**LIVINGSTON COUNTY, MISSOURI
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007**

Livingston County, Missouri
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Independent Auditors' Report

To the County Commission of
Livingston County, Missouri
Chillicothe, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livingston County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007 and 2006, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Independent Auditors' Report (Concluded)

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2008, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis, Schedule of Funding Progress for Missouri Local Government Employees Retirement System and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on them.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Livingston County, Missouri. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Original Signed by Auditor
Kevin G. Hudson, C.P.A.
Trenton, Missouri
September 11, 2008

Livingston County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The discussion and analysis of Livingston County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2007 and 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2007 and 2006 are as follows:

- The county's total governmental receipts exceeded total expenses by \$48,654 for the year ended December 31, 2007, but the total expenditures exceeded governmental receipts by \$116,393 for the year ended December 31, 2006.
- The county's governmental funds ended the year ended December 31, 2007 with a combined cash balance of \$1,011,882 and the year ended December 31, 2006 of \$963,228.
- County revenues for the year ended December 31, 2007 of \$4,280,829 increased by \$439,590 over the county revenues for the year ended December 31, 2006 of \$3,841,239.
- County expenditures for the year ended December 31, 2007 of \$4,233,205 increased by \$275,573 over the county expenditures for the year ended December 31, 2006 of \$3,957,632.

Overview of the Financial Statements

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Livingston County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis, the Schedule of Funding Progress for Missouri Local Government Employees Retirement System, and the Budgetary Comparison Schedules for all governmental and special revenue funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

Livingston County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-wide Financial Analysis

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2007 and 2006.

	Year Ended December 31,	
	2007	2006
Net Assets	\$1,011,882	\$ 963,228
Program Receipts	2,154,760	1,923,531
General Receipts	2,127,099	1,917,708
Disbursements	4,233,205	3,957,632
Change in Net Assets	48,654	(116,393)

For the two years disclosed in the audit, the change in Net Assets is primarily due to the road and bridge fund. During 2006 the county began work on a new bridge project and incurred expenses that weren't reimbursed for until the fiscal year 2007. General Receipts increased in 2007 due to an increase in sales tax collections, this was the first full year for the new Use Tax fund. Program receipts and disbursements did not fluctuate much between 2006 and 2007.

Financial Analysis of the County's Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2007, the county's governmental funds reported combined ending fund balances of \$1,011,882, an increase of \$48,654 over the prior years fund balance of \$963,228. The unreserved portion of fund balance was \$281,950 for 2007 and \$186,848 for the year ended 2006. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The County Revenue Fund is the chief operating fund of the County. At the end of the fiscal year 2007, unreserved fund balance of the County Revenue Fund was \$281,950 and of the unreserved fund balance of the County Revenue Fund for fiscal year 2006 was \$186,848. As a measure of the County Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Livingston County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The unreserved fund balance of the County Revenue Fund increased by \$95,102 for fiscal year 2007 as compared to an increase of \$103,445 for fiscal year 2006.

County Revenue Fund Budgeting Highlights

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the County Revenue Fund.

The original and final budgeted revenues for the county revenue fund were \$1,666,645 for 2007 and \$1,668,314 for 2006. The original and final budgeted expenditures were \$1,746,689 for 2007 and \$1,539,693 for 2006.

The County did not make any budget amendments.

Capital Assets and Debt Administration

During 2006 the county entered into a 15 year lease agreement for the purpose of installing a new heating and cooling system for the courthouse. This lease was in the amount of \$656,000. Payments are due in varying annual installments at a varying interest rates from 4.00% to 4.70%.

Economic Factors and Next Year's Budgets

The opening of the new women's state prison will add greatly to both the physical and economic well being of the citizens of Livingston County. The county sales taxes have increased in the past two years, and the addition of new businesses should continue this trend.

The Counties County Revenue Fund has increased \$198,547 over the two year period that was audited. This is encouraging since this fund had a balance of \$83,403 at December 31, 2005. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kelly Christopher County Clerk, 700 Webster Street, Chillicothe, Missouri 64601, (660) 646-8000.

GOVERNMENT WIDE FINANCIAL STATEMENTS

Livingston County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,011,882
Total Assets	<u>\$ 1,011,882</u>
NET ASSETS:	
Restricted	\$ 729,932
Unrestricted	<u>281,950</u>
Total Net Assets	<u>\$ 1,011,882</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Livingston County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 963,228
Total Assets	<u>\$ 963,228</u>
NET ASSETS:	
Restricted	\$ 776,380
Unrestricted	<u>186,848</u>
Total Net Assets	<u>\$ 963,228</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Livingston County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2007

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	Governmental <u>Activities</u>
Governmental Activities:				
General County Government	\$ 2,373,892	\$ 342,449	\$ 716,186	\$ (1,315,257)
Roads and Bridges	1,314,305	-	1,096,125	(218,180)
Law Enforcement Sales Tax	480,433	-	-	(480,433)
Use Tax	64,575	-	-	(64,575)
Total Governmental Activities	<u>\$ 4,233,205</u>	<u>\$ 342,449</u>	<u>\$ 1,812,311</u>	<u>\$ (2,078,445)</u>
Total Livingston County	<u>\$ 4,233,205</u>	<u>\$ 342,449</u>	<u>\$ 1,812,311</u>	<u>\$ (2,078,445)</u>
General Revenues:				
Property Taxes				164,017
Sales Taxes				1,654,217
Interest				57,345
Other				250,490
Transfers				<u>1,030</u>
Total General Revenues				<u>2,127,099</u>
Change in Net Assets				48,654
Net Assets - Beginning				<u>963,228</u>
Net Assets - Ending				<u>\$ 1,011,882</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Livingston County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2006

			<u>Program Revenues</u>	Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
Governmental Activities:				
General County Government	\$ 2,472,439	\$ 295,664	\$ 928,906	\$ (1,247,869)
Roads and Bridges	1,054,776	-	698,961	(355,815)
Law Enforcement Sales Tax	430,417	-	-	(430,417)
Use Tax	-	-	-	-
Total Governmental Activities	<u>\$ 3,957,632</u>	<u>\$ 295,664</u>	<u>\$ 1,627,867</u>	<u>\$ (2,034,101)</u>
Total Livingston County	<u>\$ 3,957,632</u>	<u>\$ 295,664</u>	<u>\$ 1,627,867</u>	<u>\$ (2,034,101)</u>
General Revenues:				
Property Taxes				162,592
Sales Taxes				1,371,698
Interest				53,018
Other				330,400
Transfers				-
Total General Revenues				<u>1,917,708</u>
Change in Net Assets				(116,393)
Net Assets - Beginning				<u>1,079,621</u>
Net Assets - Ending				<u>\$ 963,228</u>

The accompanying notes to the financial statements are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

Livingston County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Use Tax Fund	Other Governmental Funds	2007 Total Government Funds
ASSETS						
Cash and Cash Equivalents	\$ 281,950	\$ 239,369	\$ 164,531	\$ 94,432	\$ 231,600	\$ 1,011,882
TOTAL ASSETS	<u>\$ 281,950</u>	<u>\$ 239,369</u>	<u>\$ 164,531</u>	<u>\$ 94,432</u>	<u>\$ 231,600</u>	<u>\$ 1,011,882</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Unreserved, Reported in:						
General Fund	\$ 281,950	\$ -	\$ -	\$ -	\$ -	\$ 281,950
Special Revenue Funds	-	239,369	164,531	94,432	-	498,332
Nonmajor Funds	-	-	-	-	231,600	231,600
TOTAL FUND BALANCES	<u>\$ 281,950</u>	<u>\$ 239,369</u>	<u>\$ 164,531</u>	<u>\$ 94,432</u>	<u>\$ 231,600</u>	<u>\$ 1,011,882</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Livingston County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2006

	General Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Use Tax Fund	Other Governmental Funds	2006 Total Government Funds
ASSETS						
Cash and Cash Equivalents	\$ 186,848	\$ 430,733	\$ 128,936	\$ 8,200	\$ 208,511	\$ 963,228
TOTAL ASSETS	<u>\$ 186,848</u>	<u>\$ 430,733</u>	<u>\$ 128,936</u>	<u>\$ 8,200</u>	<u>\$ 208,511</u>	<u>\$ 963,228</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Unreserved, Reported in:						
General Fund	\$ 186,848	\$ -	\$ -	\$ -	\$ -	\$ 186,848
Special Revenue Funds	-	430,733	128,936	8,200	-	567,869
Nonmajor Funds	-	-	-	-	208,511	208,511
TOTAL FUND BALANCES	<u>\$ 186,848</u>	<u>\$ 430,733</u>	<u>\$ 128,936</u>	<u>\$ 8,200</u>	<u>\$ 208,511</u>	<u>\$ 963,228</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Livingston County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Use Tax Fund	Other Governmental Funds	2007 Total Government Funds
REVENUES:						
Taxes - Sales	\$ 1,002,505	\$ -	\$ 500,905	\$ 150,807	\$ -	\$ 1,654,217
Taxes - Property	15,079	-	-	-	148,938	164,017
Intergovernmental Revenues	379,015	1,096,125	-	-	337,171	1,812,311
Charges for Services	231,900	-	-	-	110,549	342,449
Interest Income	12,314	26,615	8,664	-	9,752	57,345
Other	44,831	201	6,459	-	198,999	250,490
TOTAL REVENUES	<u>1,685,644</u>	<u>1,122,941</u>	<u>516,028</u>	<u>150,807</u>	<u>805,409</u>	<u>4,280,829</u>
EXPENDITURES:						
General County Government	1,590,542	-	-	-	783,350	2,373,892
Roads and Bridges	-	1,314,305	-	-	-	1,314,305
Law Enforcement Sales Tax	-	-	480,433	-	-	480,433
Use Tax	-	-	-	64,575	-	64,575
TOTAL EXPENDITURES	<u>1,590,542</u>	<u>1,314,305</u>	<u>480,433</u>	<u>64,575</u>	<u>783,350</u>	<u>4,233,205</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>95,102</u>	<u>(191,364)</u>	<u>35,595</u>	<u>86,232</u>	<u>22,059</u>	<u>47,624</u>
OTHER FINANCING SOURCES (USES)						
Transfer To/From Other Funds	-	-	-	-	1,030	1,030
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,030</u>	<u>1,030</u>
Net Change in Fund Balances	<u>95,102</u>	<u>(191,364)</u>	<u>35,595</u>	<u>86,232</u>	<u>23,089</u>	<u>48,654</u>
Fund Balance - Beginning of Year	<u>186,848</u>	<u>430,733</u>	<u>128,936</u>	<u>8,200</u>	<u>208,511</u>	<u>963,228</u>
Fund Balance - End of Year	<u>\$ 281,950</u>	<u>\$ 239,369</u>	<u>\$ 164,531</u>	<u>\$ 94,432</u>	<u>\$ 231,600</u>	<u>\$ 1,011,882</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Livingston County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2006

	General Fund	Special Road & Bridge Fund	Law Enforcement Sales Tax Fund	Use Tax Fund	Other Governmental Funds	2006 Total Government Funds
REVENUES:						
Taxes - Sales	\$ 909,967	\$ -	\$ 453,531	\$ 8,200	\$ -	\$ 1,371,698
Taxes - Property	13,836	-	-	-	148,756	162,592
Intergovernmental Revenues	482,881	698,961	-	-	446,025	1,627,867
Charges for Services	205,496	-	-	-	90,168	295,664
Interest Income	4,788	26,821	9,505	-	11,904	53,018
Other	26,170	83	41,668	-	262,479	330,400
TOTAL REVENUES	<u>1,643,138</u>	<u>725,865</u>	<u>504,704</u>	<u>8,200</u>	<u>959,332</u>	<u>3,841,239</u>
EXPENDITURES:						
General County Government	1,539,693	-	-	-	932,746	2,472,439
Roads and Bridges	-	1,054,776	-	-	-	1,054,776
Law Enforcement Sales Tax	-	-	430,417	-	-	430,417
Use Tax	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,539,693</u>	<u>1,054,776</u>	<u>430,417</u>	<u>-</u>	<u>932,746</u>	<u>3,957,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>103,445</u>	<u>(328,911)</u>	<u>74,287</u>	<u>8,200</u>	<u>26,586</u>	<u>(116,393)</u>
OTHER FINANCING SOURCES (USES)						
Transfer To/From Other Funds	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>103,445</u>	<u>(328,911)</u>	<u>74,287</u>	<u>8,200</u>	<u>26,586</u>	<u>(116,393)</u>
Fund Balance - Beginning of Year	<u>83,403</u>	<u>759,644</u>	<u>54,649</u>	<u>-</u>	<u>181,925</u>	<u>1,079,621</u>
Fund Balance - End of Year	<u>\$ 186,848</u>	<u>\$ 430,733</u>	<u>\$ 128,936</u>	<u>\$ 8,200</u>	<u>\$ 208,511</u>	<u>\$ 963,228</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Livingston County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,291,404
Total Assets	<u>\$ 5,291,404</u>
NET ASSETS:	
Restricted	\$ 5,291,404
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 5,291,404</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Livingston County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 755,906
Total Assets	<u>\$ 755,906</u>
NET ASSETS:	
Restricted	\$ 755,906
Unrestricted	<u>-</u>
Total Net Assets	<u><u>\$ 755,906</u></u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies

The financial statements of Livingston County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

A. Reporting Entity

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

B. Basis of Presentation

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2007 and 2006, the county had only governmental activities.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Special Road and Bridge Fund, Law Enforcement Sales Tax Fund, Use Tax Fund and the Senate Bill 40 Fund are all considered Special Revenue Funds.

The county's nonmajor governmental funds are also special revenue funds.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, Unclaimed Fees Fund, School Fines Fund, CERF Fund, Criminal Cost Fund, Cemetery Fund, Surtax Fund and Bankruptcy Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

D. Vacation, Personal and Sick Leave

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personnel days, but comp time can be earned by working overtime.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15th of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. No amendments were made for 2007 and 2006. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

F. Inventories and Capital Assets

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

G. Long-Term Debt

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Risk of Loss

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

Note 2: Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the two years ended December 31, 2007, the County had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

At December 31, 2007, the County has a deficit balance of \$164 in net assets for the Prosecuting Attorney Training Fund. At December 31, 2006 the Prosecuting Attorney Training Fund had a deficit net asset balance of \$495.

Note 3: Cash and Investments

Deposits - At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$613,158 and \$388,968 respectively. The bank balance for the year ended December 31, 2007 and 2006 was \$785,094 and \$674,124 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$100,000 was covered by federal depository insurance and \$685,094 was covered by collateral held by the District's safekeeping agent in the District's name at December 31, 2007 and \$574,124 for the year ended December 31, 2006.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 3: Cash and Investments (Concluded)

The Developmentally Disabled Board's deposits at December 31, 2007 and 2006, and the County's Collector's deposits at February 28, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by collateral securities held by the county's or board's custodial bank in the county's or board's name.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. At December 31, 2007 and 2006 the County had \$214,032 and \$469,703 invested in Certificates of Deposit.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

Investment Credit Risk - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Credit Risk - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2007, the County had no concentration of credit risk.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 4: Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1st and payable by December 31st of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was as follows:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 104,956,340	\$ 100,992,150
Personal Property	41,949,229	37,614,752
Railroad and Utilities	<u>10,789,445</u>	<u>9,694,378</u>
Total	<u>\$ 157,695,014</u>	<u>\$ 148,301,280</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was:

	<u>2007</u>	<u>2006</u>
Special Road and Bridge Fund	\$.0500	\$.0500
Total	<u>\$.0500</u>	<u>\$.0500</u>

Note 5: Retirement Plan

A. Plan Description

Livingston County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 5: Retirement Plan (Continued)

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

B. Funding Status

Livingston County's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 11.7% (general), 11.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2007 and 2006 the political subdivision's annual pension cost of \$125,215 and \$136,673 respectively, was equal to the required and actual contributions. The required contributions was determined respectively as part of the February 28, 2006 and/or February 28, 2005 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2007 was 22 years.

Four Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 133,440	100%	\$ 0
6/30/2005	\$ 135,841	100%	\$ 0
6/30/2006	\$ 136,673	100%	\$ 0
6/30/2007	\$ 125,215	100%	\$ 0

Livingston County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 6: Commitments and Contingencies

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

Livingston County, Missouri
Required Supplementary Information
Schedule of Funding Progress of
Employees Retirement System
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
2/28/04	\$ 724,737	\$ 1,327,562	\$ 602,825	55%	\$1,026,646	59%
2/28/05	724,366	1,327,356	602,990	55%	1,032,696	58%
2/28/06	892,789	1,483,319	590,530	60%	1,103,284	54%
2/28/07	1,080,600	1,605,287	524,687	67%	968,898	54%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
County Revenue Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 937,000	\$ 937,000	\$ 1,002,505	\$ 65,505	\$ 910,000	\$ 910,000	\$ 909,967	\$ (33)
Taxes - Property	15,000	15,000	15,079	79	22,000	22,000	13,836	(8,164)
Intergovernmental Revenues	431,495	431,495	379,015	(52,480)	460,414	460,414	482,881	22,467
Charges for Services	251,900	251,900	231,900	(20,000)	212,400	212,400	205,496	(6,904)
Interest Income	10,000	10,000	12,314	2,314	5,500	5,500	4,788	(712)
Other	<u>21,250</u>	<u>21,250</u>	<u>44,831</u>	<u>23,581</u>	<u>58,000</u>	<u>58,000</u>	<u>26,170</u>	<u>(31,830)</u>
Total Revenue	<u>1,666,645</u>	<u>1,666,645</u>	<u>1,685,644</u>	<u>18,999</u>	<u>1,668,314</u>	<u>1,668,314</u>	<u>1,643,138</u>	<u>(25,176)</u>
Expenditures:								
County Commission	137,003	137,003	121,111	15,892	123,600	123,600	120,790	2,810
County Clerk	90,253	90,253	83,737	6,516	88,040	88,040	85,517	2,523
Elections	83,234	83,234	81,392	1,842	135,282	135,282	124,556	10,726
Buildings and Grounds	141,471	141,471	120,303	21,168	172,046	172,046	139,439	32,607
Employee Fringe Benefits	11,000	11,000	9,842	1,158	9,500	9,500	8,576	924
County Treasurer	115,094	115,094	107,093	8,001	87,255	87,255	82,972	4,283
Recorder of Deeds	74,601	74,601	71,330	3,271	70,058	70,058	67,864	2,194
Circuit Clerk	8,200	8,200	15,704	(7,504)	11,100	11,100	16,575	(5,475)
Associate Circuit Clerk	14,275	14,275	10,175	4,100	15,720	15,720	7,390	8,330
Associate Circuit Clerk - Probate	5,700	5,700	7,139	(1,439)	5,150	5,150	2,697	2,453
Court Administration	12,000	12,000	2,853	9,147	8,500	8,500	2,252	6,248
Public Administrator	60,453	60,453	62,653	(2,200)	59,420	59,420	58,927	493
Sheriff	345,955	345,955	311,607	34,348	328,777	328,777	291,032	37,745
Jail	278,775	278,775	259,123	19,652	301,960	301,960	304,271	(2,311)
Prosecuting Attorney	93,596	93,596	94,950	(1,354)	91,360	91,360	93,480	(2,120)
Juvenile Officer	72,718	72,718	44,408	28,310	74,162	74,162	32,095	42,067
Health and Welfare	11,275	11,275	5,204	6,071	11,000	11,000	10,244	756
Emergency Fund	70,000	70,000	46,090	23,910	70,000	70,000	-	70,000
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>121,086</u>	<u>121,086</u>	<u>135,828</u>	<u>(14,742)</u>	<u>101,256</u>	<u>101,256</u>	<u>91,016</u>	<u>10,240</u>
Total Expenditures	<u>1,746,689</u>	<u>1,746,689</u>	<u>1,590,542</u>	<u>156,147</u>	<u>1,764,186</u>	<u>1,764,186</u>	<u>1,539,693</u>	<u>224,493</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(80,044)</u>	<u>(80,044)</u>	<u>95,102</u>	<u>175,146</u>	<u>(95,872)</u>	<u>(95,872)</u>	<u>103,445</u>	<u>199,317</u>
Fund Balance - Beginning of Year	187,118	187,118	186,848	(270)	83,673	83,673	83,403	(270)
Transfers In	50,000	50,000	-	(50,000)	46,113	46,113	-	(46,113)
Transfers Out	<u>(34,036)</u>	<u>(34,036)</u>	<u>-</u>	<u>34,036</u>	<u>(32,471)</u>	<u>(32,471)</u>	<u>-</u>	<u>32,471</u>
Fund Balance - End of Year	<u>\$ 123,038</u>	<u>\$ 123,038</u>	<u>\$ 281,950</u>	<u>\$ 158,912</u>	<u>\$ 1,443</u>	<u>\$ 1,443</u>	<u>\$ 186,848</u>	<u>\$ 185,405</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Road and Bridge Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	85,000	85,000	-	(85,000)	70,000	70,000	-	(70,000)
Intergovernmental Revenues	947,200	947,200	1,096,125	148,925	761,555	761,555	698,961	(62,594)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	20,000	20,000	26,615	6,615	20,000	20,000	26,821	6,821
Other	100	100	201	101	1,000	1,000	83	(917)
Total Revenue	<u>1,052,300</u>	<u>1,052,300</u>	<u>1,122,941</u>	<u>70,641</u>	<u>852,555</u>	<u>852,555</u>	<u>725,865</u>	<u>(126,690)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administrator	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	1,481,454	1,481,454	1,314,305	167,149	1,583,199	1,583,199	1,054,776	528,423
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,481,454</u>	<u>1,481,454</u>	<u>1,314,305</u>	<u>167,149</u>	<u>1,583,199</u>	<u>1,583,199</u>	<u>1,054,776</u>	<u>528,423</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(429,154)</u>	<u>(429,154)</u>	<u>(191,364)</u>	<u>237,790</u>	<u>(730,644)</u>	<u>(730,644)</u>	<u>(328,911)</u>	<u>401,733</u>
Fund Balance - Beginning of Year	430,733	430,733	430,733	-	759,644	759,644	759,644	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,579</u>	<u>\$ 1,579</u>	<u>\$ 239,369</u>	<u>\$ 237,790</u>	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 430,733</u>	<u>\$ 401,733</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Assessment Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	186,036	186,036	192,919	6,883	170,035	170,035	186,091	16,056
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	1,000	1,000	2,365	1,365	750	750	1,841	1,091
Other	750	750	1,592	842	600	600	394	(206)
Total Revenue	<u>187,786</u>	<u>187,786</u>	<u>196,876</u>	<u>9,090</u>	<u>171,385</u>	<u>171,385</u>	<u>188,326</u>	<u>16,941</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	235,083	235,083	209,767	25,316	203,986	203,986	175,194	28,792
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>235,083</u>	<u>235,083</u>	<u>209,767</u>	<u>25,316</u>	<u>203,986</u>	<u>203,986</u>	<u>175,194</u>	<u>28,792</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(47,297)</u>	<u>(47,297)</u>	<u>(12,891)</u>	<u>34,406</u>	<u>(32,601)</u>	<u>(32,601)</u>	<u>13,132</u>	<u>45,733</u>
Fund Balance - Beginning of Year	13,261	13,261	13,261	-	130	130	130	-
Transfers In	34,036	34,036	-	(34,036)	32,471	32,471	-	32,471
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370</u>	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,262</u>	<u>\$ 13,262</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	4,000	4,000	5,291	1,291	3,500	3,500	6,644	3,144
Interest Income	100	100	50	(50)	100	100	122	22
Other	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total Revenue	<u>6,100</u>	<u>6,100</u>	<u>5,341</u>	<u>(759)</u>	<u>5,100</u>	<u>5,100</u>	<u>6,766</u>	<u>1,666</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	7,300	7,300	6,167	1,133	8,400	8,400	8,508	(108)
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>7,300</u>	<u>7,300</u>	<u>6,167</u>	<u>1,133</u>	<u>8,400</u>	<u>8,400</u>	<u>8,508</u>	<u>(108)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,200)</u>	<u>(1,200)</u>	<u>(826)</u>	<u>374</u>	<u>(3,300)</u>	<u>(3,300)</u>	<u>(1,742)</u>	<u>1,558</u>
Fund Balance - Beginning of Year	1,584	1,584	1,584	-	3,326	3,326	3,326	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 384</u>	<u>\$ 384</u>	<u>\$ 758</u>	<u>\$ 374</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 1,584</u>	<u>\$ 1,558</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Training Check Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	17,300	17,300	18,697	1,397	12,700	12,700	18,130	5,430
Interest Income	50	50	291	241	30	30	82	52
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>17,350</u>	<u>17,350</u>	<u>18,988</u>	<u>1,638</u>	<u>12,730</u>	<u>12,730</u>	<u>18,212</u>	<u>5,482</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	24,153	24,153	26,367	(2,214)	10,716	10,716	11,883	(1,167)
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>24,153</u>	<u>24,153</u>	<u>26,367</u>	<u>(2,214)</u>	<u>10,716</u>	<u>10,716</u>	<u>11,883</u>	<u>(1,167)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,803)</u>	<u>(6,803)</u>	<u>(7,379)</u>	<u>(576)</u>	<u>2,014</u>	<u>2,014</u>	<u>6,329</u>	<u>4,315</u>
Fund Balance - Beginning of Year	6,373	6,373	6,373	-	44	44	44	-
Transfers In	-	-	1,006	1,006	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ (430)</u>	<u>\$ (430)</u>	<u>\$ -</u>	<u>\$ 430</u>	<u>\$ 2,058</u>	<u>\$ 2,058</u>	<u>\$ 6,373</u>	<u>\$ 4,315</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Special Election Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	35,665	35,665	-	-	15,481	15,481
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>35,665</u>	<u>35,665</u>	<u>-</u>	<u>-</u>	<u>15,481</u>	<u>15,481</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	35,580	(35,580)	-	-	15,481	(15,481)
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>35,580</u>	<u>(35,580)</u>	<u>-</u>	<u>-</u>	<u>15,481</u>	<u>(15,481)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>85</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,500	1,500	710	(790)	1,800	1,800	1,149	(651)
Interest Income	3	3	2	(1)	3	3	3	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>1,503</u>	<u>1,503</u>	<u>712</u>	<u>(791)</u>	<u>1,803</u>	<u>1,803</u>	<u>1,152</u>	<u>(651)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	1,008	1,008	381	627	1,800	1,800	1,735	65
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,008</u>	<u>1,008</u>	<u>381</u>	<u>627</u>	<u>1,800</u>	<u>1,800</u>	<u>1,735</u>	<u>65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>495</u>	<u>495</u>	<u>331</u>	<u>(164)</u>	<u>3</u>	<u>3</u>	<u>(583)</u>	<u>(586)</u>
Fund Balance - Beginning of Year	(495)	(495)	(495)	-	88	88	88	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164)</u>	<u>\$ (164)</u>	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ (495)</u>	<u>\$ (586)</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Child Abuse Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,000	1,000	1,148	148	1,100	1,100	1,064	(36)
Interest Income	40	40	28	(12)	30	30	46	16
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>1,040</u>	<u>1,040</u>	<u>1,176</u>	<u>136</u>	<u>1,130</u>	<u>1,130</u>	<u>1,110</u>	<u>(20)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	1,049	1,049	1,049	-	1,200	1,200	1,178	22
Total Expenditures	<u>1,049</u>	<u>1,049</u>	<u>1,049</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>1,178</u>	<u>22</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9)</u>	<u>(9)</u>	<u>127</u>	<u>136</u>	<u>(70)</u>	<u>(70)</u>	<u>(68)</u>	<u>2</u>
Fund Balance - Beginning of Year	9	9	9	-	77	77	77	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ 136</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 9</u>	<u>\$ 2</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Recorder Special Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	9,000	9,000	8,662	(338)	9,500	9,500	8,969	(531)
Interest Income	1,400	1,400	1,045	(355)	500	500	1,379	879
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>10,400</u>	<u>10,400</u>	<u>9,707</u>	<u>(693)</u>	<u>10,000</u>	<u>10,000</u>	<u>10,348</u>	<u>348</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	11,600	11,600	8,331	3,269	25,250	25,250	9,635	15,615
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>11,600</u>	<u>11,600</u>	<u>8,331</u>	<u>3,269</u>	<u>25,250</u>	<u>25,250</u>	<u>9,635</u>	<u>15,615</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,200)</u>	<u>(1,200)</u>	<u>1,376</u>	<u>2,576</u>	<u>(15,250)</u>	<u>(15,250)</u>	<u>713</u>	<u>15,963</u>
Fund Balance - Beginning of Year	16,103	16,103	16,103	-	15,390	15,390	15,390	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 14,903</u>	<u>\$ 14,903</u>	<u>\$ 17,479</u>	<u>\$ 2,576</u>	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ 16,103</u>	<u>\$ 15,963</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
LEPC Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	2,000	2,000	1,381	(619)	1,000	1,000	2,074	1,074
Other	<u>4,000</u>	<u>4,000</u>	<u>4,161</u>	<u>161</u>	<u>4,000</u>	<u>4,000</u>	<u>3,930</u>	<u>(70)</u>
Total Revenue	<u>6,000</u>	<u>6,000</u>	<u>5,542</u>	<u>(458)</u>	<u>5,000</u>	<u>5,000</u>	<u>6,004</u>	<u>1,004</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>14,695</u>	<u>14,695</u>	<u>9,838</u>	<u>4,857</u>	<u>17,300</u>	<u>17,300</u>	<u>9,849</u>	<u>7,451</u>
Total Expenditures	<u>14,695</u>	<u>14,695</u>	<u>9,838</u>	<u>4,857</u>	<u>17,300</u>	<u>17,300</u>	<u>9,849</u>	<u>7,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,695)</u>	<u>(8,695)</u>	<u>(4,296)</u>	<u>4,399</u>	<u>(12,300)</u>	<u>(12,300)</u>	<u>(3,845)</u>	<u>8,455</u>
Fund Balance - Beginning of Year	23,022	23,022	23,022	-	26,867	26,867	26,867	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 14,327</u>	<u>\$ 14,327</u>	<u>\$ 18,726</u>	<u>\$ 4,399</u>	<u>\$ 14,567</u>	<u>\$ 14,567</u>	<u>\$ 23,022</u>	<u>\$ 8,455</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Planning and Zoning Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	18	18	-	-	102	102
Other	<u>11,000</u>	<u>11,000</u>	<u>251</u>	<u>(10,749)</u>	<u>11,000</u>	<u>11,000</u>	<u>3,431</u>	<u>(7,569)</u>
Total Revenue	<u>11,000</u>	<u>11,000</u>	<u>269</u>	<u>(10,731)</u>	<u>11,000</u>	<u>11,000</u>	<u>3,533</u>	<u>(7,467)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>11,000</u>	<u>11,000</u>	<u>685</u>	<u>10,315</u>	<u>11,000</u>	<u>11,000</u>	<u>3,083</u>	<u>7,917</u>
Total Expenditures	<u>11,000</u>	<u>11,000</u>	<u>685</u>	<u>10,315</u>	<u>11,000</u>	<u>11,000</u>	<u>3,083</u>	<u>7,917</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(416)</u>	<u>(416)</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
Fund Balance - Beginning of Year	450	450	450	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ 34</u>	<u>\$ (416)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ 450</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Enhanced 911 Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	900	900	1,467	567	500	500	990	490
Other	<u>152,200</u>	<u>152,200</u>	<u>177,255</u>	<u>25,055</u>	<u>163,300</u>	<u>163,300</u>	<u>177,255</u>	<u>13,955</u>
Total Revenue	<u>153,100</u>	<u>153,100</u>	<u>178,722</u>	<u>25,622</u>	<u>163,800</u>	<u>163,800</u>	<u>178,245</u>	<u>14,445</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	152,142	152,142	151,443	699	189,839	189,839	184,053	5,786
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>152,142</u>	<u>152,142</u>	<u>151,443</u>	<u>699</u>	<u>189,839</u>	<u>189,839</u>	<u>184,053</u>	<u>5,786</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>958</u>	<u>958</u>	<u>27,279</u>	<u>26,321</u>	<u>(26,039)</u>	<u>(26,039)</u>	<u>(5,808)</u>	<u>20,231</u>
Fund Balance - Beginning of Year	8,293	8,293	8,293	-	26,090	26,090	26,098	8
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 9,251</u>	<u>\$ 9,251</u>	<u>\$ 35,572</u>	<u>\$ 26,321</u>	<u>\$ 51</u>	<u>\$ 51</u>	<u>\$ 20,290</u>	<u>\$ 20,239</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Election Services Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,500	1,500	2,544	1,044	8,500	8,500	3,407	(5,093)
Interest Income	10	10	-	(10)	60	60	-	(60)
Other	-	-	1,671	1,671	69,225	69,225	69,443	218
Total Revenue	<u>1,510</u>	<u>1,510</u>	<u>4,215</u>	<u>2,705</u>	<u>77,785</u>	<u>77,785</u>	<u>72,850</u>	<u>(4,935)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	19,925	19,925	14,244	5,681	95,817	95,817	63,548	32,269
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>19,925</u>	<u>19,925</u>	<u>14,244</u>	<u>5,681</u>	<u>95,817</u>	<u>95,817</u>	<u>63,548</u>	<u>32,269</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,415)</u>	<u>(18,415)</u>	<u>(10,029)</u>	<u>8,386</u>	<u>(18,032)</u>	<u>(18,032)</u>	<u>9,302</u>	<u>27,334</u>
Fund Balance - Beginning of Year	19,705	19,705	10,778	(8,927)	18,457	18,457	1,476	(16,981)
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,290</u>	<u>\$ 1,290</u>	<u>\$ 749</u>	<u>\$ (541)</u>	<u>\$ 425</u>	<u>\$ 425</u>	<u>\$ 10,778</u>	<u>\$ 10,353</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Victim Advocates Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	39,606	39,606	38,739	(867)	39,854	39,854	37,492	(2,362)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>39,606</u>	<u>39,606</u>	<u>38,739</u>	<u>(867)</u>	<u>39,854</u>	<u>39,854</u>	<u>37,492</u>	<u>(2,362)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	39,606	39,606	38,950	656	39,854	39,854	37,559	2,295
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>39,606</u>	<u>39,606</u>	<u>38,950</u>	<u>656</u>	<u>39,854</u>	<u>39,854</u>	<u>37,559</u>	<u>2,295</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(211)</u>	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>(67)</u>
Fund Balance - Beginning of Year	673	673	673	-	740	740	740	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 673</u>	<u>\$ 673</u>	<u>\$ 462</u>	<u>\$ (211)</u>	<u>\$ 740</u>	<u>\$ 740</u>	<u>\$ 673</u>	<u>\$ (67)</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	375,072	375,072	98,650	(276,422)	500,000	500,000	212,221	(287,779)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>375,072</u>	<u>375,072</u>	<u>98,650</u>	<u>(276,422)</u>	<u>500,000</u>	<u>500,000</u>	<u>212,221</u>	<u>(287,779)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>375,072</u>	<u>375,072</u>	<u>98,650</u>	<u>276,422</u>	<u>500,000</u>	<u>500,000</u>	<u>212,221</u>	<u>287,779</u>
Total Expenditures	<u>375,072</u>	<u>375,072</u>	<u>98,650</u>	<u>276,422</u>	<u>500,000</u>	<u>500,000</u>	<u>212,221</u>	<u>287,779</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	673	673	-	(673)	-	-	-	-
Transfers In	24	24	24	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 697</u>	<u>\$ 697</u>	<u>\$ 24</u>	<u>\$ (673)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Enforcement Sales Tax Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 467,000	\$ 467,000	\$ 500,905	\$ 33,905	\$ 456,250	\$ 456,250	\$ 453,531	\$ (2,719)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	750	750	-	(750)	1,000	1,000	-	(1,000)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	6,000	6,000	8,664	2,664	3,000	3,000	9,505	6,505
Other	<u>1,000</u>	<u>1,000</u>	<u>6,459</u>	<u>5,459</u>	<u>6,000</u>	<u>6,000</u>	<u>41,668</u>	<u>35,668</u>
Total Revenue	<u>474,750</u>	<u>474,750</u>	<u>516,028</u>	<u>41,278</u>	<u>466,250</u>	<u>466,250</u>	<u>504,704</u>	<u>38,454</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	42,478	42,478	23,156	19,322	19,485	19,485	19,123	362
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	381,706	381,706	357,792	23,914	330,543	330,543	270,882	59,661
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	12,250	12,250	12,672	(422)	17,437	17,437	21,188	(3,751)
Juvenile Officer	13,000	13,000	2,961	10,039	11,100	11,100	5,671	5,429
County Coroner	32,939	32,939	33,018	(79)	24,562	24,562	35,700	(11,138)
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	116,500	116,500	42,634	73,866
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>69,500</u>	<u>69,500</u>	<u>50,834</u>	<u>18,666</u>	<u>1,250</u>	<u>1,250</u>	<u>35,219</u>	<u>(33,969)</u>
Total Expenditures	<u>551,873</u>	<u>551,873</u>	<u>480,433</u>	<u>71,440</u>	<u>520,877</u>	<u>520,877</u>	<u>430,417</u>	<u>90,460</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(77,123)</u>	<u>(77,123)</u>	<u>35,595</u>	<u>112,718</u>	<u>(54,627)</u>	<u>(54,627)</u>	<u>74,287</u>	<u>128,914</u>
Fund Balance - Beginning of Year	128,936	128,936	128,936	-	54,649	54,649	54,649	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 51,813</u>	<u>\$ 51,813</u>	<u>\$ 164,531</u>	<u>\$ 112,718</u>	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ 128,936</u>	<u>\$ 128,914</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
CCW Permit Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	500	500	1,390	890	1,000	1,000	530	(470)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>500</u>	<u>500</u>	<u>1,390</u>	<u>890</u>	<u>1,000</u>	<u>1,000</u>	<u>530</u>	<u>(470)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	1,400	1,400	1,740	(340)	300	300	-	300
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,400</u>	<u>1,400</u>	<u>1,740</u>	<u>(340)</u>	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(900)</u>	<u>(900)</u>	<u>(350)</u>	<u>550</u>	<u>700</u>	<u>700</u>	<u>530</u>	<u>(170)</u>
Fund Balance - Beginning of Year	1,372	1,372	1,372	-	842	842	842	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 472</u>	<u>\$ 472</u>	<u>\$ 1,022</u>	<u>\$ 550</u>	<u>\$ 1,542</u>	<u>\$ 1,542</u>	<u>\$ 1,372</u>	<u>\$ (170)</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Microenterprise Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	800	800
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	800	800
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	800	(800)
Total Expenditures	-	-	-	-	-	-	800	(800)
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Civil Fees Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	21,000	21,000	22,494	1,494	20,000	20,000	20,669	669
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>21,000</u>	<u>21,000</u>	<u>22,494</u>	<u>1,494</u>	<u>20,000</u>	<u>20,000</u>	<u>20,669</u>	<u>669</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	26,050	26,050	18,555	7,495	33,992	33,992	27,819	6,173
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>26,050</u>	<u>26,050</u>	<u>18,555</u>	<u>7,495</u>	<u>33,992</u>	<u>33,992</u>	<u>27,819</u>	<u>6,173</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,050)</u>	<u>(5,050)</u>	<u>3,939</u>	<u>8,989</u>	<u>(13,992)</u>	<u>(13,992)</u>	<u>(7,150)</u>	<u>6,842</u>
Fund Balance - Beginning of Year	7,157	7,157	7,157	-	14,307	14,307	14,307	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 2,107</u>	<u>\$ 2,107</u>	<u>\$ 11,096</u>	<u>\$ 8,989</u>	<u>\$ 315</u>	<u>\$ 315</u>	<u>\$ 7,157</u>	<u>\$ 6,842</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Use Tax Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 85,800	\$ 85,800	\$ 150,807	\$ 65,007	\$ -	\$ -	\$ 8,200	\$ 8,200
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>85,800</u>	<u>85,800</u>	<u>150,807</u>	<u>65,007</u>	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>8,200</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	78,500	78,500	64,575	13,925	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>78,500</u>	<u>78,500</u>	<u>64,575</u>	<u>13,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,300</u>	<u>7,300</u>	<u>86,232</u>	<u>78,932</u>	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>8,200</u>
Fund Balance - Beginning of Year	8,200	8,200	8,200	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 15,500</u>	<u>\$ 15,500</u>	<u>\$ 94,432</u>	<u>\$ 78,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,200</u>	<u>\$ 8,200</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Senate Bill 40 Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	134,900	134,900	148,938	14,038	134,900	134,900	148,756	13,856
Intergovernmental Revenues	10,192	10,192	6,863	(3,329)	10,192	10,192	9,421	(771)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	1,000	1,000	1,977	977	1,000	1,000	2,177	1,177
Other	<u>1,000</u>	<u>1,000</u>	<u>7,569</u>	<u>6,569</u>	<u>16,000</u>	<u>16,000</u>	<u>2,536</u>	<u>(13,464)</u>
Total Revenue	<u>147,092</u>	<u>147,092</u>	<u>165,347</u>	<u>18,255</u>	<u>162,092</u>	<u>162,092</u>	<u>162,890</u>	<u>798</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	189,161	189,161	132,379	56,782	193,031	193,031	153,486	39,545
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>189,161</u>	<u>189,161</u>	<u>132,379</u>	<u>56,782</u>	<u>193,031</u>	<u>193,031</u>	<u>153,486</u>	<u>39,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(42,069)</u>	<u>(42,069)</u>	<u>32,968</u>	<u>75,037</u>	<u>(30,939)</u>	<u>(30,939)</u>	<u>9,404</u>	<u>40,343</u>
Fund Balance - Beginning of Year	82,425	82,425	82,425	-	73,021	73,021	73,021	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 40,356</u>	<u>\$ 40,356</u>	<u>\$ 115,393</u>	<u>\$ 75,037</u>	<u>\$ 42,082</u>	<u>\$ 42,082</u>	<u>\$ 82,425</u>	<u>\$ 40,343</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Library Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>5,500</u>	<u>5,500</u>	<u>6,500</u>	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>5,490</u>	<u>(510)</u>
Total Revenue	<u>5,500</u>	<u>5,500</u>	<u>6,500</u>	<u>1,000</u>	<u>6,000</u>	<u>6,000</u>	<u>5,490</u>	<u>(510)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	6,000	6,000	6,055	(55)	6,000	6,000	5,313	687
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>6,055</u>	<u>(55)</u>	<u>6,000</u>	<u>6,000</u>	<u>5,313</u>	<u>687</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500)</u>	<u>(500)</u>	<u>445</u>	<u>945</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>177</u>
Fund Balance - Beginning of Year	963	963	963	-	786	786	786	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 463</u>	<u>\$ 463</u>	<u>\$ 1,408</u>	<u>\$ 945</u>	<u>\$ 786</u>	<u>\$ 786</u>	<u>\$ 963</u>	<u>\$ 177</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Circuit Clerk Interest Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	3,000	3,000	1,128	(1,872)	250	250	3,088	2,838
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>3,000</u>	<u>3,000</u>	<u>1,128</u>	<u>(1,872)</u>	<u>250</u>	<u>250</u>	<u>3,088</u>	<u>2,838</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	11,000	11,000	1,867	9,133	6,430	6,430	1,216	5,214
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>11,000</u>	<u>11,000</u>	<u>1,867</u>	<u>9,133</u>	<u>6,430</u>	<u>6,430</u>	<u>1,216</u>	<u>5,214</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,000)</u>	<u>(8,000)</u>	<u>(739)</u>	<u>7,261</u>	<u>(6,180)</u>	<u>(6,180)</u>	<u>1,872</u>	<u>8,052</u>
Fund Balance - Beginning of Year	8,052	8,052	8,052	-	6,180	6,180	6,180	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 7,313</u>	<u>\$ 7,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,052</u>	<u>\$ 8,052</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Tax Maintenance Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	16,210	16,210	13,948	(2,262)	12,078	12,078	14,125	2,047
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>16,210</u>	<u>16,210</u>	<u>13,948</u>	<u>(2,262)</u>	<u>12,078</u>	<u>12,078</u>	<u>14,125</u>	<u>2,047</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	21,100	21,100	21,302	(202)	6,430	6,430	10,185	(3,755)
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>11,600</u>	<u>11,600</u>	<u>-</u>	<u>11,600</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total Expenditures	<u>32,700</u>	<u>32,700</u>	<u>21,302</u>	<u>11,398</u>	<u>20,430</u>	<u>20,430</u>	<u>10,185</u>	<u>10,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,490)</u>	<u>(16,490)</u>	<u>(7,354)</u>	<u>9,136</u>	<u>(8,352)</u>	<u>(8,352)</u>	<u>3,940</u>	<u>12,292</u>
Fund Balance - Beginning of Year	16,493	16,493	16,493	-	12,553	12,553	12,553	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 9,139</u>	<u>\$ 9,136</u>	<u>\$ 4,201</u>	<u>\$ 4,201</u>	<u>\$ 16,493</u>	<u>\$ 12,292</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Notes to the Required Supplementary Information
For the Two Years Ended December 31, 2007

Note 1: Budgeting and Budgetary Practices

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

Note 2: Budgetary Basis of Accounting

The County budget is adopted on the cash basis of accounting.

Note 3: Expenditures in Excess of Appropriations

For the two years ended December 31, 2007, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2007</u>	<u>2006</u>
Law Enforcement Training Fund	\$ -	\$ 108
Prosecuting Attorney Check Fund	\$ 2,217	\$ 1,167
CCW Permit Fund	\$ 340	\$ -
Law Library Fund	\$ 55	\$ -

No budget was developed for the Special Elections Fund for either December 31, 2007 and December 31, 2006. No budget was developed for the Microenterprise Grant Fund for the year ended December 31, 2006

FEDERAL COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the County Commission of
Livingston County, Missouri
Chillicothe, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livingston County, Missouri as of and for the years then ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued my report thereon dated September 11, 2008. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government
Auditing Standards*
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 11, 2008

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners
Livingston County, Missouri
Chillicothe, Missouri

Compliance

I have audited the compliance of the Livingston County, Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007. Livingston County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular No. 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Continued)**

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Concluded)**

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 11, 2008

Livingston County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2007 and 2006

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Expenditures Year Ended December 31,</u>	
		<u>2007</u>	<u>2006</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
	Passed through state:		
	Department of Economic Development -		
14.228	Community Development Block Grant/State Program	\$ 98,650	\$ 211,150
	Total U.S. Department of Housing and Urban Development	<u>98,650</u>	<u>211,150</u>
	U.S. DEPARTMENT OF JUSTICE		
	Passed through state:		
	State Department of Public Safety		
16.575	Crime Victim Assistance	38,950	37,559
16.592	Local Law Enforcement Block Grant	7,571	-
16.607	2003 Bulletproof Vest Partnership Grant Program	-	1,806
	Missouri Sheriff's Association -		
16/Unknown	Domestic Cannabis Eradication/Suppression Program	<u>1,177</u>	<u>669</u>
	Total U.S. Department of Justice	<u>47,698</u>	<u>40,034</u>
	U.S. DEPARTMENT OF TRANSPORTATION		
	Passed through state:		
	Highway and Transportation Commission -		
20.703	Interagency Hazardous Materials Public Sector		
	Training and Planning Grants	1,259	1,259
20.600	State and Community Highway Safety	-	1,047
20.205	Highway Planning and Construction	<u>330,887</u>	<u>12,925</u>
	Total U.S. Department of Transportation	<u>332,146</u>	<u>15,231</u>
	GENERAL SERVICES ADMINISTRATION		
	Passed through state Office of Administration -		
39.003	Donation of Federal Surplus Personal Property	359	183
39.011	Election Reform Payments	<u>6,599</u>	<u>6,057</u>
	Total General Services Administration	<u>6,958</u>	<u>6,240</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Livingston County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2007 and 2006

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Expenditures Year Ended December 31,</u>	
		<u>2007</u>	<u>2006</u>
	ELECTION ASSISTANCE COMMISSION Passed through the Office of Secretary of State -		
90.401	Help America Vote Act Requirements Payments	<u>7,835</u>	<u>76,497</u>
	Total Election Assistance Commission	<u>7,835</u>	<u>76,497</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Passed through state:		
	Department of Social Services -		
93.563	Child Support Enforcement	<u>708</u>	<u>800</u>
	Total U.S. Department of Health and Human Services	<u>708</u>	<u>800</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
	Passed through state Department of Public Safety:		
97.067	Homeland Security Grant Program	-	32,000
97.036	Public Assistance Grants	<u>129,077</u>	<u>-</u>
	Total U.S. Department of Homeland Security	<u>129,077</u>	<u>32,000</u>
	Total Expenditures of Federal Awards	<u>\$ 623,072</u>	<u>\$ 381,952</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Livingston County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2007 and 2006

Note 1: Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Livingston County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule include expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Livingston County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2007 and 2006

Note 2: Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2007 and 2006.

Livingston County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified __Yes XNo

Significant deficiencies identified __Yes XNo

not considered to be material weaknesses?

Noncompliance material to financial statements noted __Yes XNo

Federal Awards

Internal control over major programs:

Material weakness(es) identified? __Yes XNo

Significant deficiencies identified __Yes XNo

not considered to be material weaknesses?

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) __Yes XNo

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
14.228	Community Development Block Grants/ State Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee __Yes XNo

Livingston County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings

This section contains no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

Livingston County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Livingston County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Livingston County, Missouri for the two years ended December 31, 2005.

Livingston County, Missouri
Summary Schedule of Prior Audit Findings In Accordance
with OMB Circular A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005 included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Linn County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Linn County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-84

**LINN COUNTY, MISSOURI
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007**

Linn County, Missouri
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Independent Auditors' Report

To the County Commission of
Linn County, Missouri
Linneus, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linn County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007 and 2006, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Independent Auditors' Report (Concluded)

In accordance with *Government Auditing Standards*, I have also issued my report dated September 26, 2008, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on them.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Linn County, Missouri. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Trenton, Missouri
September 26, 2008

Linn County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The discussion and analysis of Linn County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2007 and 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2007 and 2006 are as follows:

- The county's total governmental expenses exceeded total receipts by \$83,952 for the year ended December 31, 2007, however, the total revenues exceeded governmental expenditures by \$30,125 for the year ended December 31, 2006.
- The county's governmental funds ended the year ended December 31, 2007 with a combined cash balance of \$1,473,694 and the year ended December 31, 2006 of \$1,557,646.
- County revenues for the year ended December 31, 2007 of \$3,745,916 decreased by \$92,386 over the county revenues for the year ended December 31, 2006 of \$3,838,302.
- County expenditures for the year ended December 31, 2007 of \$3,829,868 increased by \$21,691 over the county expenditures for the year ended December 31, 2006 of \$3,808,177.

Overview of the Financial Statements

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Linn County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedules for all governmental and special revenue funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

Linn County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-wide Financial Analysis

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2007 and 2006.

	Year Ended December 31,	
	2007	2006
Net Assets	\$1,473,694	\$ 1,557,646
Program Receipts	2,117,766	2,329,134
General Receipts	1,628,150	1,509,168
Disbursements	3,829,868	3,808,177
Change in Net Assets	(83,952)	30,125

For the two years disclosed in the audit, the change in Net Assets is primarily due to the road and bridge fund and emergency 911 fund. General Receipts increased in 2007 due to an increase in sales tax collections. Program receipts decreased in 2007 due to a decrease in Emergency 911 receipts.

Financial Analysis of the County's Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2007, the county's governmental funds reported combined ending fund balances of \$1,473,694, a decrease of \$83,952 over the prior years fund balance of \$1,557,646. The unreserved portion of fund balance was \$766,108 for 2007 and \$666,512 for the year ended 2006. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Revenue Fund is the chief operating fund of the County. At the end of the fiscal year 2007, unreserved fund balance of the General Revenue Fund was \$766,108 and the unreserved fund balance of the General Revenue Fund for fiscal year 2006 was \$666,512. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Linn County, Missouri
Management's Discussion and Analysis
For the Two Years Ended December 31, 2007

The unreserved fund balance of the General Revenue Fund increased by \$99,596 for fiscal year 2007 as compared to an increase of \$86,511 for fiscal year 2006.

General Revenue Fund Budgeting Highlights

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Revenue Fund.

The original and final budgeted revenues for the general revenue fund were \$1,207,186 for 2007 and \$1,219,968 for 2006. The original and final budgeted expenditures were \$1,711,378 for 2007 and \$1,706,775 for 2006.

The County did not make any budget amendments.

Economic Factors and Next Year's Budgets

The opening of the new women's state prison in Chillicothe, Missouri should add greatly to both the physical and economic well being of the citizens of Linn County. The county sales taxes have increased over the past year, and it is hoped that this trend will continue.

The Counties General Revenue Fund has decreased \$78,039 over the two year period that was audited. This is a concern, however, the actual unrestricted balance has increased \$99,596 over that same time frame. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Peggy Ward, County Clerk, P.O. Bo x 92, Linneus, Missouri 64653, (660) 895-5415.

GOVERNMENT WIDE FINANCIAL STATEMENTS

Linn County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,473,634
Total Assets	<u>\$ 1,473,634</u>
NET ASSETS:	
Restricted	\$ 707,526
Unrestricted	<u>766,108</u>
Total Net Assets	<u>\$ 1,473,634</u>

The accompanying notes to the financial statements
 are an integral part of this financial statement

Linn County, Missouri
Government Wide Statement of Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental
	<u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,557,646
Total Assets	<u>\$ 1,557,646</u>
 NET ASSETS:	
Restricted	\$ 891,134
Unrestricted	<u>666,512</u>
Total Net Assets	<u>\$ 1,557,646</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Linn County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2007

			<u>Program Revenues</u>	Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
Governmental Activities:				
General County Government	\$ 1,473,553	\$ 182,839	\$ 385,784	\$ (904,930)
Roads and Bridges	2,028,456	-	1,265,804	(762,652)
Assessment	151,722	170	175,383	23,831
Emergency 911	176,137	107,786	-	(68,351)
Total Governmental Activities	<u>\$ 3,829,868</u>	<u>\$ 290,795</u>	<u>\$ 1,826,971</u>	<u>\$ (1,712,102)</u>
Total Linn County	<u>\$ 3,829,868</u>	<u>\$ 290,795</u>	<u>\$ 1,826,971</u>	<u>\$ (1,712,102)</u>
General Revenues:				
Property Taxes				193,480
Sales Taxes				1,224,865
Interest				75,209
Other				134,596
Transfers				-
Total General Revenues				<u>1,628,150</u>
Change in Net Assets				(83,952)
Net Assets - Beginning				<u>1,557,646</u>
Net Assets - Ending				<u>\$ 1,473,694</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Linn County, Missouri
Government-Wide Statement of Activities
Cash Basis
For the Year Ended December 31, 2006

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	Governmental <u>Activities</u>
Governmental Activities:				
General County Government	\$ 1,504,014	\$ 173,500	\$ 500,510	\$ (830,004)
Roads and Bridges	2,041,632	-	1,294,896	(746,736)
Assessment	151,562	475	181,579	30,492
Emergency 911	110,969	178,174	-	67,205
Total Governmental Activities	<u>\$ 3,808,177</u>	<u>\$ 352,149</u>	<u>\$ 1,976,985</u>	<u>\$ (1,479,043)</u>
Total Linn County	<u>\$ 3,808,177</u>	<u>\$ 352,149</u>	<u>\$ 1,976,985</u>	<u>\$ (1,479,043)</u>
General Revenues:				
Property Taxes				167,869
Sales Taxes				1,165,533
Interest				74,693
Other				101,073
Transfers				-
Total General Revenues				<u>1,509,168</u>
Change in Net Assets				30,125
Net Assets - Beginning				<u>1,527,521</u>
Net Assets - Ending				<u>\$ 1,557,646</u>

The accompanying notes to the financial statements are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

Linn County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2007

	General Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Assessment <u>Fund</u>	Emergency 911 <u>Fund</u>	Other Governmental <u>Funds</u>	2007 Total Government <u>Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 766,108	\$ 422,663	\$ 101,103	\$ 87,049	\$ 96,771	\$ 1,473,694
TOTAL ASSETS	<u>\$ 766,108</u>	<u>\$ 422,663</u>	<u>\$ 101,103</u>	<u>\$ 87,049</u>	<u>\$ 96,771</u>	<u>\$ 1,473,694</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Unreserved, Reported in:						
General Fund	\$ 766,108	\$ -	\$ -	\$ -	\$ -	\$ 766,108
Special Revenue Funds	-	422,663	101,103	87,049	-	610,815
Nonmajor Funds	-	-	-	-	96,711	96,711
TOTAL FUND BALANCES	<u>\$ 766,108</u>	<u>\$ 422,663</u>	<u>\$ 101,103</u>	<u>\$ 87,049</u>	<u>\$ 96,711</u>	<u>\$ 1,473,634</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Linn County, Missouri
Balance Sheet - Cash Basis
Governmental Funds
For the Year Ended December 31, 2006

	General Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Assessment <u>Fund</u>	Emergency 911 <u>Fund</u>	Other Governmental <u>Funds</u>	2006 Total Government <u>Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 666,512	\$ 569,859	\$ 71,618	\$ 152,143	\$ 97,514	\$ 1,557,646
TOTAL ASSETS	<u>\$ 666,512</u>	<u>\$ 569,859</u>	<u>\$ 71,618</u>	<u>\$ 152,143</u>	<u>\$ 97,514</u>	<u>\$ 1,557,646</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Unreserved, Reported in:						
General Fund	\$ 666,512	\$ -	\$ -	\$ -	\$ -	\$ 666,512
Special Revenue Funds	-	569,859	71,618	152,143	-	793,620
Nonmajor Funds	-	-	-	-	97,514	97,514
TOTAL FUND BALANCES	<u>\$ 666,512</u>	<u>\$ 569,859</u>	<u>\$ 71,618</u>	<u>\$ 152,143</u>	<u>\$ 97,514</u>	<u>\$ 1,557,646</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Linn County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2007

	General Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Assessment <u>Fund</u>	Emergency 911 <u>Fund</u>	Other Governmental <u>Funds</u>	2007 Total Government <u>Funds</u>
REVENUES:						
Taxes - Sales	\$ 612,428	\$ 612,437	\$ -	\$ -	\$ -	\$ 1,224,865
Taxes - Property	117,875	65,517	-	-	10,088	193,480
Intergovernmental Revenues	316,703	1,265,804	175,383	-	69,081	1,826,971
Charges for Services	134,157	-	170	107,786	48,682	290,795
Interest Income	32,077	32,274	4,560	3,257	3,041	75,209
Other	126,791	6,651	1,094	-	60	134,596
TOTAL REVENUES	<u>1,340,031</u>	<u>1,982,683</u>	<u>181,207</u>	<u>111,043</u>	<u>130,952</u>	<u>3,745,916</u>
EXPENDITURES:						
General County Government	1,341,858	-	-	-	131,695	1,473,553
Roads and Bridges	-	2,028,456	-	-	-	2,028,456
Assessment Fund	-	-	151,722	-	-	151,722
Emergency 911 Fund	-	-	-	176,137	-	176,137
TOTAL EXPENDITURES	<u>1,341,858</u>	<u>2,028,456</u>	<u>151,722</u>	<u>176,137</u>	<u>131,695</u>	<u>3,829,868</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,827)</u>	<u>(45,773)</u>	<u>29,485</u>	<u>(65,094)</u>	<u>(743)</u>	<u>(83,952)</u>
OTHER FINANCING SOURCES (USES)						
Transfer To/From Other Funds	<u>101,423</u>	<u>(101,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>101,423</u>	<u>(101,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	99,596	(147,196)	29,485	(65,094)	(743)	(83,952)
Fund Balance - Beginning of Year	<u>666,512</u>	<u>569,859</u>	<u>71,618</u>	<u>152,143</u>	<u>97,514</u>	<u>1,557,646</u>
Fund Balance - End of Year	<u>\$ 766,108</u>	<u>\$ 422,663</u>	<u>\$ 101,103</u>	<u>\$ 87,049</u>	<u>\$ 96,771</u>	<u>\$ 1,473,694</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Linn County, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Cash Basis - Governmental Funds
For the Year Ended December 31, 2006

	General Revenue Fund	Special Road & Bridge Fund	Assessment Fund	Emergency 911 Fund	Other Governmental Funds	2006 Total Government Funds
REVENUES:						
Taxes - Sales	\$ 582,766	\$ 582,767	\$ -	\$ -	\$ -	\$ 1,165,533
Taxes - Property	110,428	57,441	-	-	-	167,869
Intergovernmental Revenues	306,048	1,294,896	181,579	-	194,462	1,976,985
Charges for Services	131,628	-	475	178,174	41,872	352,149
Interest Income	28,191	35,485	3,899	3,362	3,756	74,693
Other	95,979	630	4,464	-	-	101,073
TOTAL REVENUES	<u>1,255,040</u>	<u>1,971,219</u>	<u>190,417</u>	<u>181,536</u>	<u>240,090</u>	<u>3,838,302</u>
EXPENDITURES:						
General County Government	1,270,613	-	-	-	233,401	1,504,014
Roads and Bridges	-	2,041,632	-	-	-	2,041,632
Assessment Fund	-	-	151,562	-	-	151,562
Emergency 911 Fund	-	-	-	110,969	-	110,969
TOTAL EXPENDITURES	<u>1,270,613</u>	<u>2,041,632</u>	<u>151,562</u>	<u>110,969</u>	<u>233,401</u>	<u>3,808,177</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,573)</u>	<u>(70,413)</u>	<u>38,855</u>	<u>70,567</u>	<u>6,689</u>	<u>30,125</u>
OTHER FINANCING SOURCES (USES)						
Transfer To/From Other Funds	<u>102,084</u>	<u>(102,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>102,084</u>	<u>(102,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	86,511	(172,497)	38,855	70,567	6,689	30,125
Fund Balance - Beginning of Year	<u>580,001</u>	<u>742,356</u>	<u>32,763</u>	<u>81,576</u>	<u>90,825</u>	<u>1,527,521</u>
Fund Balance - End of Year	<u>\$ 666,512</u>	<u>\$ 569,859</u>	<u>\$ 71,618</u>	<u>\$ 152,143</u>	<u>\$ 97,514</u>	<u>\$ 1,557,646</u>

The accompanying notes to the financial statements are an integral part of this financial statement

Linn County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,882,820
Total Assets	<u>\$ 3,882,820</u>
NET ASSETS:	
Restricted	\$ 3,882,820
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 3,882,820</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Linn County, Missouri
Statement of Fiduciary Net Assets
Cash Basis
For the Year Ended December 31, 2006

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 204,812
Total Assets	<u>\$ 204,812</u>
NET ASSETS:	
Restricted	\$ 204,812
Unrestricted	<u>-</u>
Total Net Assets	<u>\$ 204,812</u>

The accompanying notes to the financial statements
are an integral part of this financial statement

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies

The financial statements of Linn County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

A. Reporting Entity

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such at exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

B. Basis of Presentation

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2007 and 2006, the county had only governmental activities.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Special Revenue Funds:

Special Road and Bridge Fund - The fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

The county's nonmajor governmental funds are also special revenue funds.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, Unclaimed Fees Fund, Tax Sale Surplus Fund, Fines Fund, Employees Retirement Fund and Child Support Enforcement Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

D. Vacation, Personal and Sick Leave

Vacation time, personal time and sick leave are considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. Sick leave is earned based on one half day per each completed calendar month of employment. Sick leave may accrue up to a maximum of 160 days for each full time employee. Unpaid sick leave, which is not included in the accompanying statement, was not determinable at December 31, 2007 or 2006.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15th of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. No amendments were made for 2007 and 2006. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

F. Inventories and Capital Assets

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

G. Long-Term Debt

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 1: Summary of Significant Accounting Policies (Continued)

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Risk of Loss

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

Note 2: Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the two years ended December 31, 2007, the County had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

At December 31, 2007, the County had a deficit net asset balance of \$1,694 in the Juvenile Office Grant Fund. At December 31, 2006, the County had a deficit net asset balance of \$673 in the Juvenile Office Grant Fund.

Note 3: Cash and Investments

Deposits - At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$1,440,995 and \$1,550,408 respectively. The bank balance for the year ended December 31, 2007 and 2006 was \$1,526,352 and \$1,648,981 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,426,352 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2007 and \$1,548,981 for the year ended December 31, 2006.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 3: Cash and Investments (Concluded)

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

Investment Credit Risk - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Credit Risk - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2007, the County had no concentration of credit risk.

Linn County, Missouri
Notes to Financial Statements
For the Two Years Ended December 31, 2007

Note 4: Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1st and payable by December 31st of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was as follows:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 69,679,090	\$ 68,318,420
Personal Property	39,924,358	38,888,128
Railroad and Utilities	<u>18,316,361</u>	<u>18,118,807</u>
Total	<u>\$127,919,809</u>	<u>\$125,325,355</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of County taxation was:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$.0725	\$.0725
Total	<u>\$.0725</u>	<u>\$.0725</u>

Note 5: Commitments and Contingencies

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
General Revenue Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 575,000	\$ 575,000	\$ 612,428	\$ 37,428	\$ 550,000	\$ 550,000	\$ 582,766	\$ 32,766
Taxes - Property	99,500	99,500	117,875	18,375	97,500	97,500	110,428	12,928
Intergovernmental Revenues	284,661	284,661	316,703	32,042	330,661	330,661	306,048	(24,613)
Charges for Services	200,700	200,700	134,157	(66,543)	175,700	175,700	131,628	(44,072)
Interest Income	25,000	25,000	32,077	7,077	14,500	14,500	28,191	13,691
Other	22,325	22,325	126,791	104,466	51,607	51,607	95,979	44,372
Total Revenue	<u>1,207,186</u>	<u>1,207,186</u>	<u>1,340,031</u>	<u>132,845</u>	<u>1,219,968</u>	<u>1,219,968</u>	<u>1,255,040</u>	<u>35,072</u>
Expenditures:								
County Commission	79,049	79,049	82,377	(3,328)	79,149	79,149	82,926	(3,777)
County Clerk	81,080	81,080	76,588	4,492	80,728	80,728	77,731	2,997
Elections	70,700	70,700	27,636	43,064	108,614	108,614	72,716	35,898
Buildings and Grounds	169,400	169,400	153,364	16,036	155,265	155,265	65,467	89,798
Employee Fringe Benefits	156,500	156,500	84,926	71,574	154,250	154,250	83,411	70,839
County Treasurer	72,794	72,794	71,424	1,370	66,814	66,814	65,916	898
Recorder of Deeds	67,480	67,480	70,089	(2,609)	59,563	59,563	63,820	(4,257)
Circuit Clerk	35,150	35,150	30,155	4,995	35,150	35,150	24,328	10,822
Court Administration	18,700	18,700	23,313	(4,613)	23,921	23,921	26,192	(2,271)
Public Administrator	25,500	25,500	26,628	(1,128)	25,900	25,900	26,806	(906)
Sheriff	254,467	254,467	267,654	(13,187)	253,176	253,176	254,379	(1,203)
Jail	172,000	172,000	83,663	88,337	172,000	172,000	108,997	63,003
Prosecuting Attorney	130,650	130,650	128,095	2,555	138,574	138,574	135,919	2,655
Juvenile Officer	62,286	62,286	60,463	1,823	62,286	62,286	38,154	24,132
County Coroner	22,495	22,495	13,478	9,017	22,818	22,818	15,153	7,665
Health and Welfare	800	800	300	500	800	800	300	500
Emergency Fund	90,000	90,000	-	90,000	80,000	80,000	-	80,000
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	202,327	202,327	141,705	60,622	187,767	187,767	128,398	59,369
Total Expenditures	<u>1,711,378</u>	<u>1,711,378</u>	<u>1,341,858</u>	<u>369,520</u>	<u>1,706,775</u>	<u>1,706,775</u>	<u>1,270,613</u>	<u>436,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(504,192)</u>	<u>(504,192)</u>	<u>(1,827)</u>	<u>502,365</u>	<u>(486,807)</u>	<u>(486,807)</u>	<u>(15,573)</u>	<u>471,234</u>
Fund Balance - Beginning of Year	666,512	666,512	666,512	-	580,001	580,001	580,001	-
Transfers In	136,371	136,371	101,423	(34,948)	145,776	145,776	102,084	(43,692)
Transfers Out	(6,721)	(6,721)	-	6,721	(3,500)	(3,500)	-	3,500
Fund Balance - End of Year	<u>\$ 291,970</u>	<u>\$ 291,970</u>	<u>\$ 766,108</u>	<u>\$ 474,138</u>	<u>\$ 235,470</u>	<u>\$ 235,470</u>	<u>\$ 666,512</u>	<u>\$ 431,042</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Road and Bridge Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ 575,000	\$ 575,000	\$ 612,437	\$ 37,437	\$ 550,000	\$ 550,000	\$ 582,767	\$ 32,767
Taxes - Property	56,000	56,000	65,517	9,517	55,000	55,000	57,441	2,441
Intergovernmental Revenues	1,686,267	1,886,267	1,265,804	(620,463)	1,558,589	1,558,589	1,294,896	(263,693)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	33,000	33,000	32,274	(726)	25,000	25,000	35,485	10,485
Other	<u>1,250</u>	<u>1,250</u>	<u>6,651</u>	<u>5,401</u>	<u>3,000</u>	<u>3,000</u>	<u>630</u>	<u>(2,370)</u>
Total Revenue	<u>2,351,517</u>	<u>2,551,517</u>	<u>1,982,683</u>	<u>(568,834)</u>	<u>2,191,589</u>	<u>2,191,589</u>	<u>1,971,219</u>	<u>(220,370)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administrator	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	2,863,794	3,063,794	2,028,456	1,035,338	2,723,568	2,723,568	2,041,632	681,936
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,863,794</u>	<u>3,063,794</u>	<u>2,028,456</u>	<u>1,035,338</u>	<u>2,723,568</u>	<u>2,723,568</u>	<u>2,041,632</u>	<u>681,936</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(512,277)</u>	<u>(512,277)</u>	<u>(45,773)</u>	<u>466,504</u>	<u>(531,979)</u>	<u>(531,979)</u>	<u>(70,413)</u>	<u>461,566</u>
Fund Balance - Beginning of Year	569,859	569,859	569,859	-	742,356	742,356	742,356	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>(101,423)</u>	<u>(101,423)</u>	<u>-</u>	<u>-</u>	<u>(102,084)</u>	<u>(102,084)</u>
Fund Balance - End of Year	<u>\$ 57,582</u>	<u>\$ 57,582</u>	<u>\$ 422,663</u>	<u>\$ 365,081</u>	<u>\$ 210,377</u>	<u>\$ 210,377</u>	<u>\$ 569,859</u>	<u>\$ 359,482</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Assessment Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	171,753	171,753	175,383	3,630	156,720	156,720	181,579	24,859
Charges for Services	150	150	170	20	125	125	475	350
Interest Income	2,750	2,750	4,560	1,810	1,700	1,700	3,899	2,199
Other	<u>3,000</u>	<u>3,000</u>	<u>1,094</u>	<u>(1,906)</u>	<u>3,000</u>	<u>3,000</u>	<u>4,464</u>	<u>1,464</u>
Total Revenue	<u>177,653</u>	<u>177,653</u>	<u>181,207</u>	<u>3,554</u>	<u>161,545</u>	<u>161,545</u>	<u>190,417</u>	<u>28,872</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	169,417	169,417	151,722	17,695	167,670	167,670	151,562	16,108
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>169,417</u>	<u>169,417</u>	<u>151,722</u>	<u>17,695</u>	<u>167,670</u>	<u>167,670</u>	<u>151,562</u>	<u>16,108</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,236</u>	<u>8,236</u>	<u>29,485</u>	<u>21,249</u>	<u>(6,125)</u>	<u>(6,125)</u>	<u>38,855</u>	<u>44,980</u>
Fund Balance - Beginning of Year	71,618	71,618	71,618	-	32,763	32,763	32,763	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 79,854</u>	<u>\$ 79,854</u>	<u>\$ 101,103</u>	<u>\$ 21,249</u>	<u>\$ 26,638</u>	<u>\$ 26,638</u>	<u>\$ 71,618</u>	<u>\$ 44,980</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Special Election Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	4,500	4,500	2,270	(2,230)	98,499	98,499	101,798	3,299
Charges for Services	3,000	3,000	2,558	(442)	750	750	-	(750)
Interest Income	1,000	1,000	712	(288)	400	400	1,596	1,196
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>8,500</u>	<u>8,500</u>	<u>5,540</u>	<u>(2,960)</u>	<u>99,649</u>	<u>99,649</u>	<u>103,394</u>	<u>3,745</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	18,500	18,500	13,273	5,227	118,477	118,477	102,277	16,200
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>18,500</u>	<u>18,500</u>	<u>13,273</u>	<u>5,227</u>	<u>118,477</u>	<u>118,477</u>	<u>102,277</u>	<u>16,200</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>(7,733)</u>	<u>2,267</u>	<u>(18,828)</u>	<u>(18,828)</u>	<u>1,117</u>	<u>19,945</u>
Fund Balance - Beginning of Year	27,614	27,614	27,614	-	26,497	26,497	26,497	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 17,614</u>	<u>\$ 17,614</u>	<u>\$ 19,881</u>	<u>\$ 2,267</u>	<u>\$ 7,669</u>	<u>\$ 7,669</u>	<u>\$ 27,614</u>	<u>\$ 19,945</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Check Collection Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	10,000	10,000	10,004	4	8,000	8,000	11,128	3,128
Interest Income	500	500	712	212	450	450	717	267
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>10,500</u>	<u>10,500</u>	<u>10,716</u>	<u>216</u>	<u>8,450</u>	<u>8,450</u>	<u>11,845</u>	<u>3,395</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	12,500	14,750	12,481	2,269	21,600	21,600	12,560	9,040
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>12,500</u>	<u>14,750</u>	<u>12,481</u>	<u>2,269</u>	<u>21,600</u>	<u>21,600</u>	<u>12,560</u>	<u>9,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,000)</u>	<u>(4,250)</u>	<u>(1,765)</u>	<u>2,485</u>	<u>(13,150)</u>	<u>(13,150)</u>	<u>(715)</u>	<u>12,435</u>
Fund Balance - Beginning of Year	23,485	23,485	23,485	-	24,200	24,200	24,200	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 21,485</u>	<u>\$ 19,235</u>	<u>\$ 21,720</u>	<u>\$ 2,485</u>	<u>\$ 11,050</u>	<u>\$ 11,050</u>	<u>\$ 23,485</u>	<u>\$ 12,435</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Sheriff Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	1,300	1,300	-	(1,300)	-	-	-	-
Charges for Services	3,600	3,600	5,013	1,413	4,500	4,500	5,343	843
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>4,900</u>	<u>4,900</u>	<u>5,013</u>	<u>113</u>	<u>4,500</u>	<u>4,500</u>	<u>5,343</u>	<u>843</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	4,300	4,300	5,285	(985)	4,300	4,300	4,158	142
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>4,300</u>	<u>4,300</u>	<u>5,285</u>	<u>(985)</u>	<u>4,300</u>	<u>4,300</u>	<u>4,158</u>	<u>142</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>600</u>	<u>600</u>	<u>(272)</u>	<u>(872)</u>	<u>200</u>	<u>200</u>	<u>1,185</u>	<u>985</u>
Fund Balance - Beginning of Year	2,942	2,942	2,942	-	1,757	1,757	1,757	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 3,542</u>	<u>\$ 3,542</u>	<u>\$ 2,670</u>	<u>\$ (872)</u>	<u>\$ 1,957</u>	<u>\$ 1,957</u>	<u>\$ 2,942</u>	<u>\$ 985</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Prosecuting Attorney Training Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	900	900	829	(71)	750	750	913	163
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>900</u>	<u>900</u>	<u>829</u>	<u>(71)</u>	<u>750</u>	<u>750</u>	<u>913</u>	<u>163</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	400	700	657	43	2,000	2,000	2,944	(944)
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>400</u>	<u>700</u>	<u>657</u>	<u>43</u>	<u>2,000</u>	<u>2,000</u>	<u>2,944</u>	<u>(944)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>500</u>	<u>200</u>	<u>172</u>	<u>(28)</u>	<u>(1,250)</u>	<u>(1,250)</u>	<u>(2,031)</u>	<u>(781)</u>
Fund Balance - Beginning of Year	873	873	873	-	2,904	2,904	2,904	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 1,373</u>	<u>\$ 1,073</u>	<u>\$ 1,045</u>	<u>\$ (28)</u>	<u>\$ 1,654</u>	<u>\$ 1,654</u>	<u>\$ 873</u>	<u>\$ (781)</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Recorders Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable <u>(Unfavorable)</u>	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable <u>(Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	9,000	9,000	8,874	(126)	8,000	8,000	9,394	1,394
Interest Income	650	650	712	62	300	300	717	417
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>9,650</u>	<u>9,650</u>	<u>9,586</u>	<u>(64)</u>	<u>8,300</u>	<u>8,300</u>	<u>10,111</u>	<u>1,811</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	16,200	16,200	10,814	5,386	17,100	17,100	8,747	8,353
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>16,200</u>	<u>16,200</u>	<u>10,814</u>	<u>5,386</u>	<u>17,100</u>	<u>17,100</u>	<u>8,747</u>	<u>8,353</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,550)</u>	<u>(6,550)</u>	<u>(1,228)</u>	<u>5,322</u>	<u>(8,800)</u>	<u>(8,800)</u>	<u>1,364</u>	<u>10,164</u>
Fund Balance - Beginning of Year	20,226	20,226	20,226	-	18,862	18,862	18,862	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 13,676</u>	<u>\$ 13,676</u>	<u>\$ 18,998</u>	<u>\$ 5,322</u>	<u>\$ 10,062</u>	<u>\$ 10,062</u>	<u>\$ 20,226</u>	<u>\$ 10,164</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Shelter of Victims Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	400	400	376	(24)	400	400	460	60
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>400</u>	<u>400</u>	<u>376</u>	<u>(24)</u>	<u>400</u>	<u>400</u>	<u>460</u>	<u>60</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	900	900	900	-	440	440	-	440
Total Expenditures	<u>900</u>	<u>900</u>	<u>900</u>	<u>-</u>	<u>440</u>	<u>440</u>	<u>-</u>	<u>440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500)</u>	<u>(500)</u>	<u>(524)</u>	<u>(24)</u>	<u>(40)</u>	<u>(40)</u>	<u>460</u>	<u>500</u>
Fund Balance - Beginning of Year	900	900	900	-	440	440	440	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 376</u>	<u>\$ (24)</u>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 900</u>	<u>\$ 500</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Emergency 911 Fund
For the Two Years Ended December 31, 2007

	Original 2007 <u>Budget</u>	Final 2007 <u>Budget</u>	Actual <u>2007</u>	Variance With Final Budget 2007 Favorable (Unfavorable)	Original 2006 <u>Budget</u>	Final 2006 <u>Budget</u>	Actual <u>2006</u>	Variance With Final Budget 2006 Favorable (Unfavorable)
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	112,000	112,000	107,786	(4,214)	118,500	118,500	178,174	59,674
Interest Income	4,000	4,000	3,257	(743)	2,100	2,100	3,362	1,262
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>116,000</u>	<u>116,000</u>	<u>111,043</u>	<u>(4,957)</u>	<u>120,600</u>	<u>120,600</u>	<u>181,536</u>	<u>60,936</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>185,059</u>	<u>185,059</u>	<u>176,137</u>	<u>8,922</u>	<u>119,095</u>	<u>119,095</u>	<u>110,969</u>	<u>8,126</u>
Total Expenditures	<u>185,059</u>	<u>185,059</u>	<u>176,137</u>	<u>8,922</u>	<u>119,095</u>	<u>119,095</u>	<u>110,969</u>	<u>8,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,059)</u>	<u>(69,059)</u>	<u>(65,094)</u>	<u>3,965</u>	<u>1,505</u>	<u>1,505</u>	<u>70,567</u>	<u>69,062</u>
Fund Balance - Beginning of Year	152,143	152,143	152,143	-	81,576	81,576	81,576	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 83,084</u>	<u>\$ 83,084</u>	<u>\$ 87,049</u>	<u>\$ 3,965</u>	<u>\$ 83,081</u>	<u>\$ 83,081</u>	<u>\$ 152,143</u>	<u>\$ 69,062</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Tax Maintenance Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	9,000	9,000	9,168	168	8,500	8,500	9,150	650
Interest Income	650	650	712	62	250	250	717	467
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>9,650</u>	<u>9,650</u>	<u>9,880</u>	<u>230</u>	<u>8,750</u>	<u>8,750</u>	<u>9,867</u>	<u>1,117</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>18,000</u>	<u>18,000</u>	<u>8,869</u>	<u>9,131</u>	<u>15,000</u>	<u>15,000</u>	<u>7,083</u>	<u>7,917</u>
Total Expenditures	<u>18,000</u>	<u>18,000</u>	<u>8,869</u>	<u>9,131</u>	<u>15,000</u>	<u>15,000</u>	<u>7,083</u>	<u>7,917</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,350)</u>	<u>(8,350)</u>	<u>1,011</u>	<u>9,361</u>	<u>(6,250)</u>	<u>(6,250)</u>	<u>2,784</u>	<u>9,034</u>
Fund Balance - Beginning of Year	18,102	18,102	18,102	-	15,318	15,318	15,318	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 9,752</u>	<u>\$ 9,752</u>	<u>\$ 19,113</u>	<u>\$ 9,361</u>	<u>\$ 9,068</u>	<u>\$ 9,068</u>	<u>\$ 18,102</u>	<u>\$ 9,034</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	15,000	40,205	35,205	(5,000)	15,000	15,000	-	(15,000)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>15,000</u>	<u>40,205</u>	<u>35,205</u>	<u>(5,000)</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>15,000</u>	<u>40,205</u>	<u>35,205</u>	<u>5,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>15,000</u>	<u>40,205</u>	<u>35,205</u>	<u>5,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Juvenile Office Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	12,639	12,639	2,550	(10,089)	12,888	12,888	3,441	(9,447)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>12,639</u>	<u>12,639</u>	<u>2,550</u>	<u>(10,089)</u>	<u>12,888</u>	<u>12,888</u>	<u>3,441</u>	<u>(9,447)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	11,966	11,966	3,571	8,395	11,966	11,966	3,192	8,774
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>11,966</u>	<u>11,966</u>	<u>3,571</u>	<u>8,395</u>	<u>11,966</u>	<u>11,966</u>	<u>3,192</u>	<u>8,774</u>
Excess (Deficiency) of Revenues								
Over Expenditures	<u>673</u>	<u>673</u>	<u>(1,021)</u>	<u>(1,694)</u>	<u>922</u>	<u>922</u>	<u>249</u>	<u>(673)</u>
Fund Balance - Beginning of Year	(673)	(673)	(673)	-	(922)	(922)	(922)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,694)</u>	<u>\$ (1,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (673)</u>	<u>\$ (673)</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Drug Court Grant Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	2,250	35,712	29,056	(6,656)	169,100	169,100	89,223	(79,877)
Charges for Services	9,360	9,360	9,850	490	-	-	3,060	3,060
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>11,610</u>	<u>45,072</u>	<u>38,906</u>	<u>(6,166)</u>	<u>169,100</u>	<u>169,100</u>	<u>92,283</u>	<u>(76,817)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>15,900</u>	<u>42,860</u>	<u>39,686</u>	<u>3,174</u>	<u>169,100</u>	<u>169,100</u>	<u>88,582</u>	<u>80,518</u>
Total Expenditures	<u>15,900</u>	<u>42,860</u>	<u>39,686</u>	<u>3,174</u>	<u>169,100</u>	<u>169,100</u>	<u>88,582</u>	<u>80,518</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,290)</u>	<u>2,212</u>	<u>(780)</u>	<u>(2,992)</u>	<u>-</u>	<u>-</u>	<u>3,701</u>	<u>3,701</u>
Fund Balance - Beginning of Year	3,701	3,701	3,701	-	-	-	-	-
Transfers In	4,721	4,721	-	(4,721)	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 4,132</u>	<u>\$ 10,634</u>	<u>\$ 2,921</u>	<u>\$ (7,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,701</u>	<u>\$ 3,701</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Law Library Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,980	1,980	2,010	30	2,500	2,500	2,424	(76)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>1,980</u>	<u>1,980</u>	<u>2,010</u>	<u>30</u>	<u>2,500</u>	<u>2,500</u>	<u>2,424</u>	<u>(76)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	2,000	2,000	751	1,249	400	400	3,743	(3,343)
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>751</u>	<u>1,249</u>	<u>400</u>	<u>400</u>	<u>3,743</u>	<u>(3,343)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20)</u>	<u>(20)</u>	<u>1,259</u>	<u>1,279</u>	<u>2,100</u>	<u>2,100</u>	<u>(1,319)</u>	<u>(3,419)</u>
Fund Balance - Beginning of Year	288	288	288	-	1,607	1,607	1,607	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 268</u>	<u>\$ 268</u>	<u>\$ 1,547</u>	<u>\$ 1,279</u>	<u>\$ 3,707</u>	<u>\$ 3,707</u>	<u>\$ 288</u>	<u>\$ (3,419)</u>

The accompanying notes to financial statements are an integral part of this statement

Livingston County, Missouri
Budgetary Comparison Schedule
Cash Basis
Circuit Clerk Interest
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	100	100	193	93	200	200	9	(191)
Other	-	-	-	-	-	-	-	-
Total Revenue	<u>100</u>	<u>100</u>	<u>193</u>	<u>93</u>	<u>200</u>	<u>200</u>	<u>9</u>	<u>(191)</u>
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	120	120	173	(53)	200	200	115	85
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Expenditures	<u>120</u>	<u>120</u>	<u>173</u>	<u>(53)</u>	<u>200</u>	<u>200</u>	<u>115</u>	<u>85</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20)</u>	<u>(20)</u>	<u>20</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>(106)</u>	<u>(106)</u>
Fund Balance - Beginning of Year	56	56	56	-	162	162	162	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ 76</u>	<u>\$ 40</u>	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ 56</u>	<u>\$ (106)</u>

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Budgetary Comparison Schedule
Cash Basis
Senior Citizens Tax Fund
For the Two Years Ended December 31, 2007

	Original 2007	Final 2007	Actual	Variance With Final Budget 2007	Original 2006	Final 2006	Actual	Variance With Final Budget 2006
	<u>Budget</u>	<u>Budget</u>	<u>2007</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2006</u>	<u>Favorable (Unfavorable)</u>
Revenues:								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	10,088	10,088	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	60	60	-	-	-	-
Total Revenue	-	-	10,148	10,148	-	-	-	-
Expenditures:								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	30	(30)	-	-	-	-
Total Expenditures	-	-	30	(30)	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	10,118	10,118	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 10,118	\$ 10,118	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Notes to the Required Supplementary Information
For the Two Years Ended December 31, 2007

Note 1: Budgeting and Budgetary Practices

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

Note 2: Budgetary Basis of Accounting

The County budget is adopted on the cash basis of accounting.

Note 3: Expenditures in Excess of Appropriations

For the two years ended June 30, 2007, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2007</u>	<u>2006</u>
Sheriff Training Fund	\$ 985	\$ -
Prosecuting Attorney Training Fund	\$ -	\$ 944
Law Library Fund	\$ -	\$ 3,343
Circuit Clerk Interest	\$ 53	\$ -

FEDERAL COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the County Commission of
Linn County, Missouri
Linneus, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linn County, Missouri as of and for the years then ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued my report thereon dated September 26, 2008. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 26, 2008

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners
Linn County, Missouri
Linneus, Missouri

Compliance

I have audited the compliance of the Linn County, Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007. Linn County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular No. 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Continued)**

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
(Concluded)**

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.
Certified Public Accountant
September 26, 2008

Linn County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2007 and 2006

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Expenditures Year Ended December 31,</u>	
		<u>2007</u>	<u>2006</u>
	U.S. DEPARTMENT OF JUSTICE		
	Passed through state:		
	State Department of Public Safety		
16.575	Crime Victim Assistance	57,599	62,122
16.585	Drug Court Discretionary Grant Program	-	88,583
	Missouri Sheriff's Association -		
16/Unknown	Domestic Cannabis Eradication/Suppression Program	<u>1,981</u>	<u>1,881</u>
	Total U.S. Department of Justice	<u>59,580</u>	<u>152,586</u>
	U.S. DEPARTMENT OF TRANSPORTATION		
	Passed through state:		
	Highway and Transportation Commission -		
20.703	Interagency Hazardous Materials Public Sector		
	Training and Planning Grants	2,269	2,503
20.205	Highway Planning and Construction	<u>235,778</u>	<u>658,565</u>
	Total U.S. Department of Transportation	<u>238,047</u>	<u>661,068</u>
	GENERAL SERVICES ADMINISTRATION		
	Passed through state Office of Administration -		
39.003	Donation of Federal Surplus Personal Property	<u>-</u>	<u>18,000</u>
	Total General Services Administration	<u>-</u>	<u>18,000</u>
	ELECTION ASSISTANCE COMMISSION		
	Passed through the Office of Secretary of State -		
90.401	Help America Vote Act Requirements Payments	<u>2,250</u>	<u>98,293</u>
	Total Election Assistance Commission	<u>2,250</u>	<u>98,293</u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Linn County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ending December 31, 2007 and 2006

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Expenditures Year Ended December 31,</u>	
		<u>2007</u>	<u>2006</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Passed through state:		
93.563	Department of Social Services -		
	Child Support Enforcement	<u>132,039</u>	<u>130,614</u>
	Total U.S. Department of Health and Human Services	<u>132,039</u>	<u>130,614</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
	Passed through state Department of Public Safety:		
97.067	Homeland Security Grant Program	35,205	-
97.036	Public Assistance Grants	<u>152,968</u>	<u>-</u>
	Total U.S. Department of Homeland Security	<u>188,173</u>	<u>-</u>
	Total Expenditures of Federal Awards	\$ <u><u>620,089</u></u>	\$ <u><u>1,060,561</u></u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Linn County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2007 and 2006

Note 1: Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Linn County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule include expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Linn County, Missouri
Notes to the Supplementary Schedule
For the Years Ended December 31, 2007 and 2006

Note 2: Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2007 and 2006.

Linn County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified __Yes XNo

Significant deficiencies identified
not considered to be material weaknesses? __Yes XNo

Noncompliance material to financial
statements noted __Yes XNo

Federal Awards

Internal control over major programs:

Material weakness(es) identified? __Yes XNo

Significant deficiencies identified
not considered to be material weaknesses? __Yes XNo

Type of auditor's report issued on
compliance for major programs Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Circular A-133, Section .510(a) __Yes XNo

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.036	Public Assistance Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee __Yes XNo

Linn County, Missouri
Schedule of Findings and Questioned Costs
Years Ended December 31, 2007 and 2006

Section II - Financial Statement Findings

This section contains no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

Linn County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Linn County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Linn County, Missouri for the two years ended December 31, 2005.

Linn County, Missouri
Summary Schedule of Prior Audit Findings In Accordance
with OMB Circular A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005 included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Benton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Benton County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-83

BENTON COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

BENTON COUNTY, MISSOURI

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INTRODUCTORY SECTION

BENTON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Mark Breshears

Associate Commissioner – Tom Henderson

Associate Commissioner – Walter Schumacher Jr.

Other Elected Officials

Assessor – Roger Reedy

Circuit Clerk / Recorder – Cheryl Schultz

Collector – Donna Hart

Coroner – James Miller

County Clerk – Mary Lutman

Prosecuting Attorney – Karen Coffey- Woodley

Public Administrator – Wayne Linhardt

Sheriff – Gary Friar

Treasurer – Rick Renno

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Benton County, Missouri

We have audited the accompanying financial statements of Benton County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The County has not established adequate internal controls, including reconciling bank balances to the accounting records, as necessary to ensure that cash transactions and cash balances are properly recorded and that cash balances are actually on deposit at the County's depository. The effects on the financial statements of these internal control deficiencies are not reasonably determinable.

As described more fully in Note 1, Benton County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Benton County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, except for the effects of the matter discussed in the third preceding

paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Benton County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 20, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
June 20, 2008

FINANCIAL SECTION

BENTON COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 153,778	1,962,271	1,923,902	192,147	2,101,666	2,014,073	279,740
Special Road and Bridge	615,103	1,360,366	1,236,954	738,515	1,994,962	1,956,522	776,955
Assessment	21,747	263,248	228,584	56,411	306,243	282,325	80,329
Insurance	65,457	215,460	242,052	38,865	346,573	326,211	59,227
Adult Abuse	294	563	570	287	512	287	512
Law Enforcement	11,263	4,684	4,270	11,677	4,162	6,913	8,926
Prosecuting Attorney Training	326	2,018	1,736	608	1,047	1,369	286
Capital Improvement	913,203	961,939	1,081,045	794,097	1,074,647	787,320	1,081,424
Prosecuting Attorney Bad Check	3,588	18,880	14,810	7,658	19,979	17,743	9,894
Prosecuting Attorney Delinquent Tax	4,873	1,700	4,551	2,022	914	2,443	493
Recorder User	50,142	27,245	27,683	49,704	26,562	24,708	51,558
Juvenile Detention	26,537	52,154	78,691	-	23,245	23,245	-
Sheriff Civil	-	17,823	17,823	-	15,062	15,062	-
D.A.R.E.	493	4,111	2,895	1,709	4,271	4,636	1,344
Cops Grant	26,151	-	20,150	6,001	-	4,982	1,019
Election Services	2,760	913	1,842	1,831	873	456	2,248
E-911	90,490	634,892	673,428	51,954	667,698	653,105	66,547
HAVA Grant	7,630	77,661	82,291	3,000	689	3,689	-
Tax Maintenance	6,400	23,700	20,992	9,108	27,389	16,197	20,300
Drug Court	586	1,000	536	1,050	1,123	827	1,346
Total	\$ 2,000,821	5,630,628	5,664,805	1,966,644	6,617,617	6,142,113	2,442,148

The accompanying Notes to the Financial Statements are an integral part of this statement.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
REGULATORY BASIS
GENERAL FUND

	Year Ended December 31, 2006		Year Ended December 31, 2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 283,500	286,907	289,500	311,681
Sales taxes	789,000	768,113	878,900	902,065
Intergovernmental	262,996	244,749	251,420	247,963
Charges for services	413,618	364,765	422,494	417,490
Interest	6,250	10,935	16,600	17,509
Other	74,205	96,442	77,950	66,021
Transfers in	180,583	190,360	123,138	138,937
Total Receipts	<u>2,010,152</u>	<u>1,962,271</u>	<u>2,060,002</u>	<u>2,101,666</u>
DISBURSEMENTS				
County Commission	87,651	86,102	98,040	94,361
County Clerk	74,839	72,886	74,622	69,320
Elections	96,990	82,799	60,943	42,955
Buildings and grounds	40,922	39,716	46,062	44,080
Employee fringe benefits	157,500	161,152	224,170	218,636
County Treasurer	31,875	32,261	42,945	42,903
Collector	109,908	118,860	125,582	115,694
Recorder of Deeds	33,842	32,307	37,156	35,591
Circuit Clerk	29,000	41,083	69,900	36,712
Court administration	48,394	4,916	11,444	4,304
Public Administrator	31,560	30,262	32,269	31,625
Sheriff	639,013	586,672	669,334	627,460
Jail	230,862	225,596	263,654	204,654
Prosecuting Attorney	194,487	190,194	207,549	196,227
Juvenile Officer	28,087	26,361	28,603	27,935
Coroner	19,100	18,946	19,100	19,822
Other general revenue	200,497	168,375	178,750	164,776
Transfers out	3,500	5,414	-	37,018
Emergency fund	58,800	-	61,610	-
Total Disbursements	<u>2,116,826</u>	<u>1,923,902</u>	<u>2,251,733</u>	<u>2,014,073</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(106,674)	38,369	(191,731)	87,593
CASH, JANUARY 1	<u>153,778</u>	<u>153,778</u>	<u>192,147</u>	<u>192,147</u>
CASH, DECEMBER 31	<u>\$ 47,104</u>	<u>192,147</u>	<u>416</u>	<u>279,740</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 378,500	384,315	387,200	404,093	-	-	-	-
Sales taxes	120,500	106,131	137,000	131,679	-	-	-	-
Intergovernmental	998,785	808,990	1,190,900	1,288,633	245,940	234,221	271,943	275,552
Charges for services	-	-	-	-	4,550	4,918	4,600	3,887
Interest	12,500	27,216	44,000	37,729	950	4,109	4,100	6,804
Other	7,700	33,714	143,700	132,828	32,816	20,000	21,019	20,000
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,517,985	1,360,366	1,902,800	1,994,962	284,256	263,248	301,662	306,243
DISBURSEMENTS								
Salaries	504,000	434,357	511,500	455,633	199,496	181,229	202,206	202,254
Employee fringe benefits	122,800	107,233	147,860	133,520	42,860	27,203	46,897	46,973
Materials and Supplies	423,650	339,167	460,650	397,451	21,900	15,085	29,900	27,932
Services and Other	103,700	100,780	106,700	630,469	10,000	5,067	12,500	5,166
Capital Outlay	264,500	136,362	500,700	301,873	-	-	-	-
Construction	253,500	88,694	736,430	-	-	-	-	-
Transfers out	30,000	30,361	33,000	37,576	-	-	-	-
Total Disbursements	1,702,150	1,236,954	2,496,840	1,956,522	274,256	228,584	291,503	282,325
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(184,165)	123,412	(594,040)	38,440	10,000	34,664	10,159	23,918
CASH, JANUARY 1	615,103	615,103	738,515	687,243	21,747	21,747	56,411	56,411
CASH, DECEMBER 31	\$ 430,938	738,515	144,475	725,683	31,747	56,411	66,570	80,329

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	INSURANCE FUND				ADULT ABUSE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	550	550	560	495
Interest	250	-	-	-	5	13	10	17
Other	242,154	215,460	308,000	346,573	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	242,404	215,460	308,000	346,573	555	563	570	512
DISBURSEMENTS								
Salaries	2,500	2,500	2,500	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	244,110	239,552	306,500	326,211	650	570	570	287
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	246,610	242,052	309,000	326,211	650	570	570	287
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(4,206)	(26,592)	(1,000)	20,362	(95)	(7)	-	225
CASH, JANUARY 1	65,457	65,457	38,865	38,865	294	294	287	287
CASH, DECEMBER 31	\$ 61,251	38,865	37,865	59,227	199	287	287	512

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	LAW ENFORCEMENT FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,300	1,180	1,200	1,047
Charges for services	5,500	4,684	4,800	4,162	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	850	838	-	-
Total Receipts	5,500	4,684	4,800	4,162	2,150	2,018	1,200	1,047
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	5,440	4,270	8,000	6,913	2,150	1,736	1,783	1,369
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	5,440	4,270	8,000	6,913	2,150	1,736	1,783	1,369
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	60	414	(3,200)	(2,751)	-	282	(583)	(322)
CASH, JANUARY 1	11,263	11,263	11,677	11,677	326	326	608	608
CASH, DECEMBER 31	\$ 11,323	11,677	8,477	8,926	326	608	25	286

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	CAPITAL IMPROVEMENT FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	825,500	837,799	863,900	878,727	-	-	-	-
Intergovernmental	-	-	52,890	-	-	-	-	-
Charges for services	-	-	-	-	14,500	18,330	18,000	19,414
Interest	27,900	49,708	56,500	60,890	180	550	500	565
Other	80,650	74,432	83,342	135,030	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	934,050	961,939	1,056,632	1,074,647	14,680	18,880	18,500	19,979
DISBURSEMENTS								
Salaries	-	-	-	-	12,000	-	15,000	15,628
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	2,600	2,810	3,000	2,115
Capital Outlay and Construction	1,664,500	1,081,045	1,657,560	787,320	-	-	-	-
Transfers out	-	-	-	-	-	12,000	2,135	-
Total Disbursements	1,664,500	1,081,045	1,657,560	787,320	14,600	14,810	20,135	17,743
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(730,450)	(119,106)	(600,928)	287,327	80	4,070	(1,635)	2,236
CASH, JANUARY 1	913,203	913,203	794,097	794,097	3,588	3,588	7,658	7,658
CASH, DECEMBER 31	\$ 182,753	794,097	193,169	1,081,424	3,668	7,658	6,023	9,894

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
REGULATORY BASIS

	PROSECUTING ATTORNEY DELINQUENT TAX FUND				RECORDER USER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	4,100	1,204	2,000	780	-	-	26,400	23,417
Charges for services	-	-	-	-	26,400	23,938	-	-
Interest	200	496	500	134	800	3,307	2,800	3,145
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	4,300	1,700	2,500	914	27,200	27,245	29,200	26,562
DISBURSEMENTS								
Salaries	-	-	-	-	10,500	11,131	12,000	13,445
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	22,900	15,282	10,700	11,263
Services and Other	3,393	4,551	2,493	2,443	1,200	1,270	12,900	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	3,393	4,551	2,493	2,443	34,600	27,683	35,600	24,708
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	907	(2,851)	7	(1,529)	(7,400)	(438)	(6,400)	1,854
CASH, JANUARY 1	4,873	4,873	2,022	2,022	50,142	50,142	49,704	49,704
CASH, DECEMBER 31	\$ 5,780	2,022	2,029	493	42,742	49,704	43,304	51,558

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	JUVENILE DETENTION FUND				SHERIFF CIVIL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	26,350	25,649	25,700	23,032	28,500	17,823	16,500	15,062
Interest	950	1,044	1,000	213	-	-	-	-
Other	-	25,461	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	27,300	52,154	26,700	23,245	28,500	17,823	16,500	15,062
DISBURSEMENTS								
Salaries	-	-	-	-	28,500	17,823	16,500	15,062
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	28,100	78,691	26,700	23,245	-	-	-	-
Total Disbursements	28,100	78,691	26,700	23,245	28,500	17,823	16,500	15,062
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(800)	(26,537)	-	-	-	-	-	-
CASH, JANUARY 1	26,537	26,537	-	-	-	-	-	-
CASH, DECEMBER 31	\$ 25,737	-	-	-	-	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	DARE FUND				COPS GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	14	61	20	126	-	-	-	-
Other	1,550	4,050	3,620	4,145	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,564	4,111	3,640	4,271	-	-	-	-
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,000	2,895	3,810	4,636	26,151	20,150	6,001	4,982
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,000	2,895	3,810	4,636	26,151	20,150	6,001	4,982
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(436)	1,216	(170)	(365)	(26,151)	(20,150)	(6,001)	(4,982)
CASH, JANUARY 1	493	493	1,709	1,709	26,151	26,151	6,001	6,001
CASH, DECEMBER 31	\$ 57	1,709	1,539	1,344	-	6,001	-	1,019

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	ELECTION SERVICES FUND				E-911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	613,000	627,653	635,000	658,973
Intergovernmental	1,000	913	875	873	-	-	945	1,042
Charges for services	-	-	-	-	3,000	2,662	2,000	1,519
Interest	-	-	-	-	2,900	3,966	4,000	4,222
Other	-	-	-	-	2,000	611	500	1,942
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,000	913	875	873	620,900	634,892	642,445	667,698
DISBURSEMENTS								
Salaries	-	-	-	-	337,344	352,975	336,866	340,381
Employee fringe benefits	-	-	-	-	66,100	58,623	82,200	79,414
Materials and Supplies	900	617	500	456	23,780	24,102	28,450	160,495
Services and Other	-	1,225	500	-	231,627	237,728	235,617	72,815
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	900	1,842	1,000	456	658,851	673,428	683,133	653,105
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	100	(929)	(125)	417	(37,951)	(38,536)	(40,688)	14,593
CASH, JANUARY 1	2,760	2,760	1,831	1,831	90,490	90,490	51,954	51,954
CASH, DECEMBER 31	\$ 2,860	1,831	1,706	2,248	52,539	51,954	11,266	66,547

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

	HAVA GRANT FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	75,270	75,969	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	500	1,692	500	56	75	59	60	101
Other	-	-	1,000	633	25,000	23,641	25,000	27,288
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	75,770	77,661	1,500	689	25,075	23,700	25,060	27,389
DISBURSEMENTS								
Salaries	70,220	70,960	1,500	-	2,200	2,968	3,000	2,628
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	1,053	13,050	1,109	3,000	10,579
Services and Other	9,370	11,331	2,500	2,636	11,100	16,915	14,850	2,990
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	79,590	82,291	4,000	3,689	26,350	20,992	20,850	16,197
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,820)	(4,630)	(2,500)	(3,000)	(1,275)	2,708	4,210	11,192
CASH, JANUARY 1	7,630	7,630	3,000	3,000	6,400	6,400	9,108	9,108
CASH, DECEMBER 31	\$ 3,810	3,000	500	-	5,125	9,108	13,318	20,300

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -
REGULATORY BASIS

DRUG COURT FUND				
Year Ended December 31,				
2006		2007		
Budget	Actual	Budget	Actual	
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	2,500	1,000	1,500	1,123
Transfers in	-	-	-	-
Total Receipts	<u>2,500</u>	<u>1,000</u>	<u>1,500</u>	<u>1,123</u>
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	3,000	536	2,545	827
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>3,000</u>	<u>536</u>	<u>2,545</u>	<u>827</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(500)	464	(1,045)	296
CASH, JANUARY 1	<u>586</u>	<u>586</u>	<u>1,050</u>	<u>1,050</u>
CASH, DECEMBER 31	<u>\$ 86</u>	<u>1,050</u>	<u>5</u>	<u>1,346</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
STATEMEN OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Equivalents	Due to Others	Cash and Equivalents	Due to Others
Collector	\$ 7,932,368	7,932,368	7,348,479	7,348,479
Conservation	1,529	1,529	1,529	1,529
Capital School Fund	216,387	216,387	225,730	225,730
County Employees Retirement Fund	3,276	3,276	5,340	5,340
Financial Institutions Tax	15,083	15,083	48,621	48,621
Flood Control	-	-	31,199	31,199
Overplus	143,107	143,107	90,481	90,481
Senior Services	18,580	18,580	-	-
Total	\$ 8,330,330	8,330,330	7,751,379	7,751,379

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Benton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
- 2) On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
- 4) State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
- 5) A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
- 6) Prior to February 1 the budget is legally enacted by a vote of the County Commission.
- 7) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
- 8) Budgets are prepared and adopted on the cash basis of accounting.

- 9) Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2007	2006
Insurance	\$ 17,211	N/A
PA Delinquent Tax	N/A	1,158
PA Bad Check	N/A	210
Juvenile Detention	N/A	50,591
D.A.R.E.	826	895
911	N/A	14,577
Election Services	N/A	942
HAVA	N/A	2,701

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 153,877,600	134,002,090
Personal Property	51,683,666	50,244,155
Railroad and Utilities	12,407,359	12,661,902

During 2007 and 2006 the County Commission approved tax levies for the General Revenue and Special Road and Bridge Funds that are based on \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.1450</u>	<u>\$0.1450</u>
Special Road and Bridge Fund	<u>\$0.2012</u>	<u>\$0.2100</u>

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time

certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$10,772,478 and \$9,718,023; the bank balance was \$8,063,399 and \$7,572,488, respectively. Of the bank balances, \$589,950 and \$503,877, at December 31, 2007 and December 31, 2006, respectively, were covered by federal depository insurance and \$7,473,449 and \$7,068,611, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

2. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

3. Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employer contributions of approximately for \$96,178 and \$104,967, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

1. Compensated Absences

The County provides full time employees with up to 40 days of sick time -- to accrue at one-half day per complete calendar month of employment up to 40 days. Upon termination, the employee is compensated for one-half accrued sick time. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on length of employment. Employees may accrue up to 15 years worth of vacation credits, the number of which depends on the length of service. However, employees may only carry over ten vacation days from one year to the next. Any days accrued in excess of ten days will be forfeited at the end of the year.

2. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Benton County, Missouri

We have audited the financial statements of the governmental activities and fiduciary fund types as identified in the table of contents of Benton County, Missouri, as of and for the years ended December 31, 2007, and December 31, 2006 which collectively comprise the Benton County, Missouri's basic financial statements and have issued our report thereon dated June 20, 2008 which was qualified based upon a lack of internal controls over cash balances. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Benton County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Benton County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Benton County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Benton County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a

misstatement of the Benton County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Benton County, Missouri's internal control. We consider the deficiencies described in the Findings and Recommendations section as items 1 through 4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Benton County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above items 1-2 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are identified as items 5 through 8.

We noted certain matters that we reported to management of Benton County, Missouri, in the Findings and Recommendations section as items 9 through 11.

Benton County, Missouri's response to the findings identified in our audit is described in the accompanying Findings and Recommendations section. We did not audit Benton County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates

June 20, 2008

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Benton County, Missouri

Compliance

We have audited the compliance of Benton County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Benton County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Benton County, Missouri's management. Our responsibility is to express an opinion on Benton County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Benton County, Missouri's compliance with those requirements.

In our opinion, Benton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Benton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Benton County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
June 20, 2008

BENTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2006
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state:			
	Office of Administration -			
10.665	Flood Control		\$ 1,922	2,067
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grants		-	20,150
	Passed through:			
	State Department of Public Safety -			
16.575	Crime Victim Assistance		23,080	28,607
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-B008(10)	493,814	56,562
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public	CERT	1,589	431
	Sector Training and Planning Grants	CEPF		2,234
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments		-	82,292
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.042	Emergency Management Performance Grants		4,639	
97.067	Homeland Security Grant Program			60,556
97.036	Public Assistance - Dept. Public Safety-Disaster Relief		42,639	-
Total Expenditures of Federal Awards			\$ 567,683	252,899

See accompanying notes to the Schedule of Expenditures of Federal Awards.

BENTON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to subrecipients during the years ended December 31, 2007 and 2006.

BENTON COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Qualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See finding nos. 1 through 4.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to Federal Awards for the two years ended December 31, 2003.

FINDINGS AND RECOMMENDATIONS

BENTON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS IN INTERNAL CONTROL

1. **Treasurer's Account Bank Reconciliation**

Condition: The County Treasurer has not properly prepared or documented monthly bank reconciliations. The Treasurer indicated he reviews the bank statements and compares his receipts to bank statement deposits. However, the Treasurer does not reconcile the total bank balances to the total cash balances as recorded in the County's accounting records. Our comparison showed that bank account balances (adjusted for the outstanding checks, unrecorded interest earnings, and other miscellaneous items) exceeded total recorded cash balances by \$67,173 and \$19,865 at December 31, 2005 and 2006, and the bank account balance was less than the recorded cash balance by \$41,955 at December 31, 2007. The Treasurer has been unable to provide an explanation for these differences and has not proposed an entry to adjust the accounting records. As a result, our auditors' opinion on the County's financial statements is qualified as to the indeterminable effect of these errors on the financial statement amounts. Complete and properly documented reconciliations between the bank balances and the fund ledger balances are necessary to ensure all monies have been accounted for properly and to detect bank errors, defalcations, or other irregularities.

Recommendation: We recommend the Treasurer immediately undertake to research the causes of these differences between actual cash in bank and the amounts recorded in the County accounting records. This will require research into several years, but it must be done in order to ensure the County is not inappropriately expending monies due to other funds or entities. We further recommend the County Clerk review each monthly bank reconciliation and agree not only total receipts and disbursements to her records, but also view the bank statement received from the bank and ensure that its balance agrees to the Treasurer's bank reconciliation.

County's Response: The current process that is used to track the Main Treasurers Account is the procedure that was in place when the current Treasurer took office. Since taking office the Treasurer has put in place new procedures that have made monthly reconciling the five other accounts possible. The Treasurer's office and County Clerk's office do compare monthly records of Deposits and Checks on all accounts and do a monthly reconciliation of all ending balances of all funds and accounts.

It is the Treasurer's intention to work with the County Clerk's office to install a new program at the first of the year that will make monthly reconciliation of the Main Account possible.

Auditor's Evaluation: The Corrective Action Plan is non-responsive to the issues with respect to determining the County's cash position and strengthening the County Clerk's monthly cash validation processes.

2. **Check Authorization**

Condition: After checks have been prepared, three signatures are required in order for the checks to be mailed to vendors. The Commission approves all warrants with invoices attached; however, after checks have been prepared, the Treasurer, County Clerk, and Presiding Commissioner all sign the checks without seeing the related invoice. As a result of all three officials signing checks without seeing the related invoice, there is a potential for unapproved transactions and unauthorized checks to be signed.

Recommendation: We recommend that the prepared checks be taken to each official to sign with the original invoice or warrant attached.

County's Response: It is the Treasurer's opinion that he does not have authority to act as an auditor concerning expenditures of the County and thus cannot approve or refuse payment of invoices. That authority is held by the Commissioner's office. The Treasurer's office is responsible to make sure that there are adequate funds available to pay the approved bills and to advise the Commissioners as to the financial status of the County and its funds.

Auditor's Evaluation: The Corrective Action Plan is non-responsive with respect to the Presiding Commissioner signing checks with the related invoices attached.

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

3. **County Clerk's Controls and Procedures**

Condition: The functions of controlling blank check stock, printing checks and reconciling approved invoices to checks printed are not adequately segregated nor is there independent oversight of these processes. The County Clerk and/or Deputy Clerk are responsible for inputting and reconciling all information pertaining to invoices and check preparation. As a result, the same person may perform the inputting and reconciling functions, which allows a potential for errors or irregularities to occur without detection.

Recommendation: We recommend that the County Clerk's Office segregate the data entry and reconciling duties to the extent possible or, at a minimum, ensure that periodic independent reviews are performed and documented. Specifically, someone other than the individual who can access blank checks should be assigned responsibility for printing the checks, and printed checks should be reconciled to approved invoices by someone other than the printer of the checks. This would reduce the likelihood that someone could print unapproved checks.

County's Response:

These duties are partially segregated at this time. The County Clerk reviews all invoices and reconciles to checks written upon the Presiding Commissioner's signature. The

County Commission approves the invoices and the deputy clerk does input the approved invoices and print the checks. The clerk will implement procedures to monitor these duties.

Auditor's Evaluation: The Corrective Action Plan is acceptable.

4. **Expenditure Approval**

Condition: Goods and services are procured by individual department heads and invoices are forwarded to the County Clerk. We noted that 3 of 8 purchases tested showed no evidence of approval by the department head or officeholder. We also were informed that a clerk puts the Commissioners' initials on invoices as a convenience for them.

Recommendation: We suggest that all invoices be reviewed and approved by the department heads, with the approval documented, before the checks are signed. We also recommend that the commissioners initial the invoices themselves, or acquire and secure a stamp to use for this purpose. With these practices it will be less likely that an invoice is for a good or service that was actually received and reduce the likelihood of a commissioner's initials being improperly placed on an invoice.

County Response: This recommendation has already been implemented. Each official initials and approves their department expenses. The County Commission reviews and stamps all invoices for payment.

Auditor's Evaluation: The Corrective Action Plan is acceptable.

ITEMS OF NONCOMPLIANCE

5. **Timely Filing of Collector's Annual Settlement**

Condition: The Collector filed annual settlements late in 2006 and 2007. The Collector responsible for filing the 2006 settlement is no longer in office. That settlement was filed July 18, 2007, more than 4 months after the due date of the first Monday in March. The new Collector greatly improved the timeliness of the filing by submitting the settlement on April 29, 2008.

Recommendation: We recommend the County Collector ensure that future settlements are submitted by the required date. We suggest the Collector prepare monthly settlements in order to expedite the completion of the annual settlement.

County Response: The way the annual settlement has been done in the past is impossible to have done by the 15th of March. I am adopting a new program this year that will make the settlement much easier and hopefully will be done in a timely manner.

6. **Bid Documentation**

Condition: Our audit tests over the purchasing function revealed that no bid documents were available for 2 of 22 items tested. RSMo Section 50.660 requires that:

“All contracts and purchases shall be let to the lowest and best bidder after due opportunity for competition, including advertising the proposed letting in a newspaper in the county or township with a circulation of at least five hundred copies per issue, if there is one, except that the advertising is not required in case of contracts or purchases involving an expenditure of less than six thousand dollars.”

Recommendation: We recommend that the County seek and retain all bid information for all purchases above \$6,000. In the event that a sole source procurement is

appropriate, such as in an emergency, or when no other provider is available, or when a State-negotiated contract is used, the rationale for not soliciting bids should be documented and retained with the related invoice. This practice provides assurance that the County is getting the lowest price for services sought, and is in compliance with state statutes.

County's Response: Bid documentation forms have been developed and are being used to ensure all bidding procedure are being followed.

7. Preparation of IRS 941 Tax Forms

Condition: The Internal Revenue Service requires that a Form 941 be prepared to document compensation and Federal tax withholdings for each employee. The Form 941 accompanies the check or wire transfer of Federal tax withholdings to the government. During our audit we noted that the compensation of employees paid from the HAVA, Insurance and Tax Maintenance Funds were not included on the Form 941s.

Recommendation: We recommend the County adopt procedures to ensure that all compensation is presented on the Form 941. We also suggest that the amount of compensation not reported be calculated and the appropriate withholding taxes be remitted to the government.

County Response: Form 941 does reflect the compensation and withholding, the employees are paid through General Revenue salary, which includes the deductions. These expenses may be reimbursed to General Revenue from other funds as approved in the budget request.

8. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the audit period, there were 7 different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- 911 – 2006
- Insurance – 2007
- Law Enforcement – 2007
- D.A.R.E. – 2006 and 2007
- Juvenile Detention – 2006
- Prosecuting Attorney's Bad Check – 2006
- Election Services – 2006
- HAVA Grant – 2006
- Prosecuting Attorney's Delinquent Tax - 2006

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

We also noted that the Capital Improvement Fund's approved expenditure budget for 2007 was \$1,657,560. However, only \$787,320 was expended. This was caused mainly by budgeting \$600,000 for Lane Building Repairs and spending only \$23,400. Apparently this project was abandoned as the \$600,000 was not re-budgeted in 2008.

Recommendation: We suggest that the County Commission establish controls to ensure

that disbursements are not approved in excess of the approved budget. We also recommend the Commission amend the budget when it becomes apparent that budgeted amounts are unrealistic in relation to the spending plan. This action will increase the meaningfulness of the budget monitoring control.

County Response: The County Commission has established budget monitoring and controls and will make budget amendments if necessary.

OTHER MATTERS

In planning and performing our audit of the financial statements of Benton County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated June 20, 2008. (A separate report dated June 20, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated June 20, 2008.

9. Collector's Disposition of Outstanding Checks

Condition: During the audit we noted that checks dating back to January 2006 were listed on the outstanding check list.

Recommendation: We recommend the Collector attempt to locate the payees or reissue the checks. If the checks can not be disposed of, the monies should be remitted as unclaimed property. Procedures should be adopted to routinely follow up on old outstanding checks in compliance with relevant statutory provisions for the disposition of unclaimed monies.

County Response: The Collector has reissued checks where the payees could be found and the rest has been remitted as unclaimed property. The Collector will see that this is done in a timely manner in the future.

10. Authorizations for Compensation Increases

Condition: Our tests of the payroll process identified one employee whose compensation increase in 2006 was not documented as approved by the County Commission.

Recommendation: We recommend the County Clerk instruct the Payroll Clerk to not process any compensation increases without first seeing the compensation increase form evidencing Commission approval.

County Response: The official or department head shall submit the proper form for compensation increases, and the County Commission shall approve the request prior to

any increases.

11. **Accounting for Transfers**

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, we noted that some transfers are presented in other expenditure categories such as the Salaries category, and other types of both revenues and expenditures are presented within the Transfer category.

Recommendation: In order to ensure that transfers are properly reported and are in balance (transfers to other funds is equal to transfers from other funds), we recommend the transfers be clearly identified as transfers and presented in the budget within the Transfer category. Other types of transactions should not be presented in the Transfers Category.

County Response: The County will identify transfers made within the budget, so they can be identified in the transfer category of each fund.

BENTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Benton County, Missouri, (County) on the applicable findings in the prior audit report issued for the two years ended December 31, 2003 and 2002.

1. Despite a growth in receipts, the County has spent more than it received in the General Fund during the last two years and anticipates a similar situation during 2004.

Status- Resolved.

2. The County's criteria and selection procedures related to selecting an architect to design and administer the construction of an E-911 facility were not adequately documented.

Status- Not implemented

3. The County Treasurer did not prepare proper bank reconciliations, distribute surplus monies from land tax sales as provided by law, or prepare semi-annual settlements.

Status- Not implemented.

4. Bank reconciliations are not prepared on a timely basis and bank balances are not reconciled to liabilities, resulting in a \$5,100 shortage in the bank accounts. Outstanding checks are not monitored and approximately \$8,055 in old outstanding checks were added back to the cash balance in the collector's records with no effort made to locate payees or reissue new checks. See finding No. 9.

Status- Not implemented.

5. Some bank account balances were not adequately monitored for the sufficiency of pledged collateral securities or commercial insurance.

Status- Implemented.

6. Annual settlements were filed late, contained errors, and were not reviewed by the County Commission. See finding No. 5.

Status- Not implemented.

7. In our prior report it was noted the County Collector was not properly distributing payment in lieu of tax monies, resulting in approximately \$12,000 being due from the County's General Revenue Fund to various political subdivisions. While these monies are now being properly distributed, the \$12,000 error has not been corrected.

Status- Resolved

8. The Sheriff has not provided for a proper segregation of recordkeeping duties, the identification liabilities, and timely deposits.

Status- Implemented.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Atchison County, Missouri

The Office of the State Auditor, in cooperation with Atchison County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-82

ATCHISON COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

ATCHISON COUNTY, MISSOURI

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INTRODUCTORY SECTION

ATCHISON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Marlin Logan

Associate Commissioner – Southern District – Kent Fisher

Associate Commissioner – Northern District – Larry Hicks

Other Elected Officials

Assessor – Lori Jones

Circuit Clerk / Recorder – Lorie Hall

Collector – Diane Livengood

Coroner – Michael Minter Jr.

County Clerk – Susette Taylor

Prosecuting Attorney – Dan Smith

Public Administrator – Karen Lester

Sheriff – Dennis Martin

Treasurer – Debbie True

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Atchison County, Missouri

We have audited the accompanying financial statements of Atchison County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Atchison County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Atchison County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Atchison County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 29, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atchison County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

FINANCIAL SECTION

ATCHISON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash			Cash			Cash
	January 1 2006 (restated)	Receipts 2006	Disbursements 2006	December 31 2006	Receipts 2007	Disbursements 2007	December 31 2007
General Revenue	\$ 204,065	1,217,860	1,134,126	287,799	1,416,336	1,191,969	512,166
Special Road and Bridge	195,167	1,136,321	1,233,056	98,432	1,369,334	1,259,404	208,362
Assessment	16,362	155,623	139,536	32,449	147,167	160,151	19,465
LEST/Crime	993	25,381	416	25,958	320,260	312,998	33,220
Landfill	68,339	2,521	15,338	55,522	2,306	31,013	26,815
Special Allocation	-	-	-	-	16,468	16,465	3
Law Enforcement Training	11,276	7,964	7,447	11,793	5,896	8,500	9,189
Prosecuting Attorney Training	13,227	1,726	2,486	12,467	1,315	2,622	11,160
Emergency Preparedness	17,359	79,387	81,584	15,162	129,278	136,859	7,581
Local Emergency Planning Commission	12,891	3,127	1,935	14,083	4,976	7,373	11,686
Domestic Violence	315	235	-	550	3,397	551	3,396
Tax Maintenance	8,207	8,521	1,380	15,348	9,580	3,079	21,849
CART Rock	16,637	253,418	269,511	544	263,150	223,355	40,339
Economic Development	-	106,375	106,375	-	117,667	117,667	-
Recorder's User Fee	25,939	5,965	2,349	29,555	5,723	-	35,278
Senate Bill 40	11,819	82,147	79,234	14,732	84,885	85,000	14,617
Sheriff's Civil Fee	5,760	4,929	6,483	4,206	9,354	4,149	9,411
Prosecuting Bad Check	16,590	9,780	2,976	23,394	8,375	3,370	28,399
911	94,464	228,649	252,592	70,521	252,010	251,634	70,897
HAVA	15,378	111,974	97,767	29,585	935	7,957	22,563
Sheriff's Revolving	1,067	1,084	-	2,151	1,640	-	3,791
Off Highway Systems	-	371,315	371,584	(269)	7,127	5,688	1,170
Resthome Improvement	105,443	15,962	42,869	78,536	1,943	56,028	24,451
Election Service	4,195	1,805	399	5,601	769	1,306	5,064
Phelps City	13,562	35	13,597	-	-	-	-
Inmate Security	-	-	-	-	3,085	-	3,085
Law Enforcement Restitution	-	710	-	710	12,353	188	12,875
Total	\$ 859,055	3,832,814	3,863,040	828,829	4,195,329	3,887,326	1,136,832

The accompanying Notes to the Financial Statements are an integral part of this statement.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 408,080	406,963	414,400	417,344
Sales taxes	309,150	372,877	372,810	426,087
Intergovernmental	8,300	6,015	6,000	1,221
Charges for services	225,350	249,159	242,900	233,175
Interest	8,000	15,739	12,090	17,478
Other	120,139	136,710	123,760	158,017
Transfers in	34,362	30,397	163,110	163,014
Total Receipts	<u>1,113,381</u>	<u>1,217,860</u>	<u>1,335,070</u>	<u>1,416,336</u>
DISBURSEMENTS				
County Commission	81,879	81,879	88,450	85,403
County Clerk	69,465	69,465	83,350	79,098
Elections	23,247	23,247	800	1,061
Buildings and grounds	101,413	101,413	241,100	172,361
Employee fringe benefits	202,586	202,586	206,500	193,454
County Treasurer	38,562	38,562	41,690	40,114
Collector	55,632	55,632	69,132	61,238
Recorder of Deeds	21,311	21,311	24,182	23,582
Circuit Clerk	2,547	2,547	3,700	2,280
Associate Circuit Court - Probate	-	-	11,740	986
Associate Circuit Court	5,298	5,298	11,870	8,508
Court administration	3,017	3,017	10,750	8,989
Public Administrator	21,811	21,811	24,521	23,810
Sheriff	310,017	310,017	300,700	278,713
Prosecuting Attorney	73,367	73,367	77,804	75,632
Juvenile Officer	7,551	7,551	9,088	8,008
Coroner	13,511	13,511	16,500	13,051
Other	70,512	70,512	92,920	82,231
Health and welfare	2,400	2,400	3,750	3,450
Transfers out	30,000	30,000	30,763	30,000
Emergency fund	-	-	40,480	-
Total Disbursements	<u>1,134,126</u>	<u>1,134,126</u>	<u>1,389,790</u>	<u>1,191,969</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(20,745)	83,734	(54,720)	224,367
CASH, JANUARY 1	<u>204,065</u>	<u>204,065</u>	<u>287,799</u>	<u>287,799</u>
CASH, DECEMBER 31	<u>\$ 183,320</u>	<u>287,799</u>	<u>233,079</u>	<u>512,166</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 458,900	461,024	458,900	478,466	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	605,000	604,016	829,334	828,905	100,900	121,992	110,200	107,997
Charges for services	26,350	26,826	35,400	35,898	-	-	-	-
Interest	7,565	12,413	10,065	8,292	350	928	900	953
Other	22,001	32,042	22,350	17,773	5,600	2,703	2,500	8,217
Transfers in	-	-	-	-	30,000	30,000	30,000	30,000
Total Receipts	1,119,816	1,136,321	1,356,049	1,369,334	136,850	155,623	143,600	147,167
DISBURSEMENTS								
Salaries	393,337	393,337	406,770	390,659	81,161	81,161	85,340	85,002
Employee fringe benefits	156,375	156,375	172,000	146,488	28,638	28,638	29,695	28,481
Materials and Supplies	119,926	119,926	36,220	216,278	27,593	27,593	44,535	43,982
Services and Other	357,725	357,725	457,275	254,632	2,144	2,144	2,765	2,686
Capital Outlay	38,250	38,250	40,000	39,563	-	-	-	-
Construction	167,443	167,443	214,500	211,784	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,233,056	1,233,056	1,326,765	1,259,404	139,536	139,536	162,335	160,151
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(113,240)	(96,735)	29,284	109,930	(2,686)	16,087	(18,735)	(12,984)
CASH, JANUARY 1	195,167	195,167	98,432	98,432	16,362	16,362	32,449	32,449
CASH, DECEMBER 31	\$ 81,927	98,432	127,716	208,362	13,676	32,449	13,714	19,465

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

		LEST/CRIME FUND				LANDFILL FUND			
		Year Ended December 31,				Year Ended December 31,			
		2006		2007		2006		2007	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS									
Property taxes	\$	-	-	-	-	-	-	-	-
Sales taxes		10,000	16,937	230,000	233,303	-	-	-	-
Intergovernmental		-	-	71,784	80,434	-	-	-	-
Charges for services		-	-	-	-	-	-	-	-
Interest		20	45	825	2,122	1,500	2,521	1,500	2,306
Other		200	8,399	10,550	4,401	-	-	-	-
Transfers in		-	-	-	-	-	-	-	-
Total Receipts		10,220	25,381	313,159	320,260	1,500	2,521	1,500	2,306
DISBURSEMENTS									
Salaries		-	-	-	-	-	-	-	-
Employee fringe benefits		-	-	-	-	-	-	-	-
Materials and Supplies		-	-	49,600	113,157	-	-	-	-
Services and Other		416	416	180,851	104,827	1,741	1,741	7,410	1,013
Capital Outlay		-	-	-	-	-	-	-	-
Construction		-	-	-	-	-	-	-	-
Transfers out		-	-	95,110	95,014	-	13,597	30,000	30,000
Total Disbursements		416	416	325,561	312,998	1,741	15,338	37,410	31,013
RECEIPTS OVER (UNDER)									
DISBURSEMENTS		9,804	24,965	(12,402)	7,262	(241)	(12,817)	(35,910)	(28,707)
CASH, JANUARY 1		993	993	25,958	25,958	68,339	68,339	55,522	55,522
CASH, DECEMBER 31	\$	10,797	25,958	13,556	33,220	68,098	55,522	19,612	26,815

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SPECIAL ALLOCATION FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,300	2,617	2,300	1,868
Charges for services	-	-	-	-	5,000	4,917	5,000	3,665
Interest	-	-	-	-	200	430	350	313
Other	-	-	16,514	16,468	-	-	-	50
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	-	16,514	16,468	7,500	7,964	7,650	5,896
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	16,514	16,465	7,447	7,447	8,500	8,500
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	16,514	16,465	7,447	7,447	8,500	8,500
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	3	53	517	(850)	(2,604)
CASH, JANUARY 1	-	-	-	-	11,276	11,276	11,793	11,793
CASH, DECEMBER 31	\$ -	-	-	3	11,329	11,793	10,943	9,189

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit B
(continued)

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				EMERGENCY PREPAREDNESS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	19,000	15,570	63,000	61,626
Charges for services	-	1,248	1,250	921	62,000	62,000	65,000	65,000
Interest	200	478	500	394	500	1,592	1,600	1,291
Other	1,250	-	-	-	-	225	-	1,361
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,450	1,726	1,750	1,315	81,500	79,387	129,600	129,278
DISBURSEMENTS								
Salaries	-	-	-	-	34,473	34,473	46,000	45,647
Employee fringe benefits	-	-	-	-	10,047	10,047	10,920	10,481
Materials and Supplies	-	-	-	-	16,048	16,048	20,312	14,891
Services and Other	2,486	2,486	9,000	2,622	21,016	21,016	66,657	65,840
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,486	2,486	9,000	2,622	81,584	81,584	143,889	136,859
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,036)	(760)	(7,250)	(1,307)	(84)	(2,197)	(14,289)	(7,581)
CASH, JANUARY 1	13,227	13,227	12,467	12,467	17,359	17,359	15,162	15,162
CASH, DECEMBER 31	\$ 12,191	12,467	5,217	11,160	17,275	15,162	873	7,581

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LEPC FUND				DOMESTIC VIOLENCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	5,300	2,670	4,669	4,583	-	-	-	-
Charges for services	-	-	-	-	-	220	400	3,350
Interest	250	457	421	393	10	15	7	47
Other	-	-	-	-	300	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	5,550	3,127	5,090	4,976	310	235	407	3,397
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	210	210	2,000	31	-	-	-	-
Services and Other	1,725	1,725	9,100	7,342	-	-	551	551
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,935	1,935	11,100	7,373	-	-	551	551
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	3,615	1,192	(6,010)	(2,397)	310	235	(144)	2,846
CASH, JANUARY 1	12,891	12,891	14,083	14,083	315	315	550	550
CASH, DECEMBER 31	\$ 16,506	14,083	8,073	11,686	625	550	406	3,396

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	TAX MAINTENANCE FUND				CART ROCK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	212,747	212,747	212,000	235,333
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	8,032	8,000	8,851	-	39,287	50,000	26,737
Interest	150	489	600	729	1,000	1,384	1,300	1,080
Other	7,400	-	-	-	34,288	-	-	-
Transfers in	-	-	-	-	6,000	-	-	-
Total Receipts	7,550	8,521	8,600	9,580	254,035	253,418	263,300	263,150
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	951	951	4,700	895	-	-	-	-
Services and Other	429	429	10,300	684	269,511	269,511	263,000	223,355
Capital Outlay	-	-	-	1,500	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	1,500	-	-	-	-	-
Total Disbursements	1,380	1,380	16,500	3,079	269,511	269,511	263,000	223,355
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	6,170	7,141	(7,900)	6,501	(15,476)	(16,093)	300	39,795
CASH, JANUARY 1	8,207	8,207	15,348	15,348	16,637	16,637	544	544
CASH, DECEMBER 31	\$ 14,377	15,348	7,448	21,849	1,161	544	844	40,339

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ECONOMIC DEVELOPMENT FUND				RECORDER'S USER FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	106,375	115,000	117,667	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	5,709	5,700	5,723
Interest	-	-	-	-	-	-	-	-
Other	115,000	-	-	-	5,000	256	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	115,000	106,375	115,000	117,667	5,000	5,965	5,700	5,723
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	106,375	106,375	115,000	117,667	2,349	2,349	29,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	# -	-	-	-	-	-
Total Disbursements	106,375	106,375	115,000	117,667	2,349	2,349	29,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	8,625	-	-	-	2,651	3,616	(23,300)	5,723
CASH, JANUARY 1	-	-	-	-	25,939	25,939	29,555	29,555
CASH, DECEMBER 31	\$ 8,625	-	-	-	28,590	29,555	6,255	35,278

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SENATE BILL 40 FUND				SHERIFF'S CIVIL FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 78,840	81,172	81,150	83,264	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	197	150	219	-	-	-	-
Charges for services	-	-	-	-	775	4,727	4,250	9,123
Interest	400	778	700	1,402	150	201	150	231
Other	-	-	-	-	5,000	1	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	79,240	82,147	82,000	84,885	5,925	4,929	4,400	9,354
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	6,483	6,483	4,600	3,821
Services and Other	79,234	79,234	85,000	85,000	-	-	-	328
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	79,234	79,234	85,000	85,000	6,483	6,483	4,600	4,149
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	6	2,913	(3,000)	(115)	(558)	(1,554)	(200)	5,205
CASH, JANUARY 1	11,819	11,819	14,732	14,732	5,760	5,760	4,206	4,206
CASH, DECEMBER 31	\$ 11,825	14,732	11,732	14,617	5,202	4,206	4,006	9,411

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING BAD CHECK FUND				911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	227,000	212,712	215,000	235,369
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	9,047	8,300	7,476	9,300	6,671	3,360	3,360
Interest	300	731	850	899	1,750	2,663	2,400	2,265
Other	3,300	2	-	-	1,050	6,603	1,050	1,016
Transfers in	-	-	-	-	18,000	-	48,000	10,000
Total Receipts	3,600	9,780	9,150	8,375	257,100	228,649	269,810	252,010
DISBURSEMENTS								
Salaries	-	-	-	-	120,686	120,686	126,000	129,237
Employee fringe benefits	1,124	1,124	1,800	1,002	37,181	37,181	40,590	40,093
Materials and Supplies	1,852	1,852	7,900	2,357	39,615	39,615	47,050	41,832
Services and Other	-	-	7,500	11	55,110	55,110	76,563	40,472
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,976	2,976	17,200	3,370	252,592	252,592	290,203	251,634
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	624	6,804	(8,050)	5,005	4,508	(23,943)	(20,393)	376
CASH, JANUARY 1	16,590	16,590	23,394	23,394	94,464	94,464	70,521	70,521
CASH, DECEMBER 31	\$ 17,214	23,394	15,344	28,399	98,972	70,521	50,128	70,897

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	HAVA FUND				SHERIFF'S REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	125,336	111,146	-	-	-	-	-	-
Charges for services	-	-	-	-	800	1,025	750	1,550
Interest	380	828	500	935	280	59	75	90
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	125,716	111,974	500	935	1,080	1,084	825	1,640
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	2,000	-
Services and Other	97,767	97,767	29,586	7,957	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	97,767	97,767	29,586	7,957	-	-	2,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	27,949	14,207	(29,086)	(7,022)	1,080	1,084	(1,175)	1,640
CASH, JANUARY 1	15,378	15,378	29,585	29,585	1,067	1,067	2,151	2,151
CASH, DECEMBER 31	\$ 43,327	29,585	499	22,563	2,147	2,151	976	3,791

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	OFF HIGHWAY SYSTEMS FUND				RESTHOME IMPROVEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	375,590	371,315	15,270	7,127	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	2,500	3,140	1,500	1,943
Other	-	-	-	-	-	12,822	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	375,590	371,315	15,270	7,127	2,500	15,962	1,500	1,943
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	371,584	371,584	15,000	5,688	-	-	5,200	1,815
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	26,069	26,069	18,250	6,213
Transfers out	-	-	-	-	16,800	16,800	48,000	48,000
Total Disbursements	371,584	371,584	15,000	5,688	42,869	42,869	71,450	56,028
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,006	(269)	270	1,439	(40,369)	(26,907)	(69,950)	(54,085)
CASH, JANUARY 1	-	-	(269)	(269)	105,443	105,443	78,536	78,536
CASH, DECEMBER 31	\$ 4,006	(269)	1	1,170	65,074	78,536	8,586	24,451

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION SERVICE FUND				PHELPS CITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,100	1,642	600	585	-	-	-	-
Interest	150	163	150	184	-	35	-	-
Other	-	-	-	-	36	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	2,250	1,805	750	769	36	35	-	-
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	3,500	332	-	-	-	-
Services and Other	399	399	2,000	974	-	13,597	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	399	399	5,500	1,306	-	13,597	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,851	1,406	(4,750)	(537)	36	(13,562)	-	-
CASH, JANUARY 1	4,195	4,195	5,601	5,601	13,562	13,562	-	-
CASH, DECEMBER 31	\$ 6,046	5,601	851	5,064	13,598	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	INMATE SECURITY FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	3,085	-	700	500	12,151
Interest	-	-	-	-	-	10	15	202
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	3,085	-	710	515	12,353
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	700	188
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-	700	188
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	3,085	-	710	(185)	12,165
CASH, JANUARY 1	-	-	-	-	-	-	710	710
CASH, DECEMBER 31	\$ -	-	-	3,085	-	710	525	12,875

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Donation	\$ -	-	958	958
Unclaimed Fees	1,359	1,359	1,135	1,135
Cafeteria Plan Employee Benefits	86	86	962	962
Workshop Learning Center	14,617	14,617	14,732	14,732
Surplus Land Sales	142	142	142	142
Cities	-	-	142	142
Collector	4,797,441	4,797,441	4,597,306	4,597,306
CERF	740	740	682	682
Center Grove Cemetery	2,000	2,000	2,000	2,000
Elmwood Cemetery	7,000	7,000	7,000	7,000
Smith Cemetery	2,000	2,000	2,000	2,000
Total	\$ 4,825,385	4,825,385	4,627,059	4,627,059

The accompanying Notes to the Financial Statements are an integral part of these statements.

ATCHISON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Atchison County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Atchison County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following fund:

- a. Inmate Security

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures did not exceed budgeted amounts for any funds.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 53,724,971	49,615,799
Personal Property	23,439,971	23,570,020
Railroad and Utilities	9,325,723	8,980,228

During 2007 and 2006 the County Commission approved a \$0.4974 and \$0.50 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$ 0.4974</u>	<u>\$ 0.5000</u>
Special Road and Bridge	<u>0.4974</u>	<u>0.5000</u>

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$5,962,217 and \$5,455,888 the bank balance was \$4,762,369 and \$4,130,851, respectively. Of the bank balance \$253,734 and \$265,629 for December 31, 2007 and December 31, 2006, respectively, were covered by federal depository insurance and \$4,460,635 and \$3,865,222, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio

formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 — 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$72,069 and \$63,065, respectively, for the years then ended, equal to the required contributions.

Because certain employees are also participants in LAGERS, a contribution is also required by the County to LAGERS, based on an actuarially determined rate. The rates were 2.4% and 3% for 2007 and 2006, respectively, for non-law enforcement personnel, and, for the corresponding years, 0.3% and 0.6%, respectively, for law enforcement personnel. During 2007 and 2006, the County contributed to LAGERS \$19,414 and \$23,632, respectively.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 180 days of sick time -- to accrue at one day per complete calendar month of employment up to 180 days. Upon termination, the employee is compensated for one-half accrued sick time. Vacation time is accrued for every full time employee, and accrues at the rate of one-half day per month up to two and one-fourth days depending on length of employment. Employees may accrue up to two years worth of vacation credits, the number of which depends on the length of service. Upon termination, the employee may receive up to thirty days of vacation time to be taken either as compensation or as early separation.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool. The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Atchison County, Missouri

We have audited the accompanying financial statements of Atchison County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered County of Atchison, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Atchison, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Atchison, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Atchison, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles in the United States of America such that there is more than a remote likelihood that a misstatement of the County of Atchison, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the County of Atchison, Missouri's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Atchison, Missouri's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Atchison, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- The County lacks a written investment policy as required by RSMo. 30.950.

We noted certain matters that we reported to management of County of Atchison, Missouri, in a separate letter dated July 29, 2008.

This report is intended solely for the information and use of management, County Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

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AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and Officeholders of Atchison County, Missouri

We have audited the compliance of Atchison County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Atchison County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Atchison County, Missouri's management. Our responsibility is to express an opinion on Atchison County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atchison County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Atchison County, Missouri's compliance with those requirements.

In our opinion, Atchison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Atchison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Atchison County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atchison County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, Officeholders, the Missouri State Auditors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

ATCHISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2006 and 2007

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2006
U.S. DEPARTMENT OF JUSTICE				
	Passed through:			
16.592	Missouri Department of Public Safety - Local Law Enforcement Block Grants Program		\$ 8,650	0.00
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state of Missouri:			
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO - (22)	-	371,584
		BRO - (20)	4,550	-
20.600	State and Community Highway Safety			
20.703	Department of Public Safety - Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP	1,647	-
		CEPF	2,488	-
		CEMP	448	-
GENERAL SERVICES ADMINISTRATION				
ELECTION ASSISTANCE COMMISSION				
90.401	Passed through the Missouri Office of Secretary of State - Help America Vote Act		-	111,974
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through Missouri Secretary of State Elections Division:			
93.617	Missouri Secretary of State Elections Division Voting Access for individuals with Disabilities	HAVAHHSFED	-	5,335
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through Missouri Department of Public Safety:			
97.036	Public Assistance Grants	Sheriff	1,456	-
		Road & Bridge	225,334	-
97.042	Emergency Management Performance Grants		18,672	15,570
97.051	State and Local All Hazards Emergency Operations Planning		-	2,670
97.067	Homeland Security Grant Program		42,954	-
	Buffer Zone Protection		70,328	-
Total Expenditures of Federal Awards; Passed through State of Missouri			<u>\$ 376,527</u>	<u>507,133</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

ATCHISON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

ATCHISON COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.
90.401	Election Assistance Commission

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Finding No. 1 – Lack of Investment Policy.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to Federal Awards for the two years ended December 31, 2005.

FINDINGS AND RECOMMENDATIONS

ATCHISON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

ITEM OF NONCOMPLIANCE

1. Lack of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. The County has no investments, however an investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County Commission adopt an investment policy and review compliance with this policy at least annually. Guidelines for developing an investment policy may be found at organizations such as the Government Finance Officer's Association, which offers a publication entitled GFOA's New Model Investment Policy, and examples of investment policies for many counties may be found on the internet.

County Response: The County Commission was not aware that an investment policy needed to be adopted. Since it has been brought to our attention the commission will work with our legal advisors to review policies and find one that meets the counties needs for adoption.

OTHER MATTERS

In planning and performing our audit of the financial statements of Atchison County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 29, 2008. (A separate report dated July 29, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 29, 2008.

2. Access to the Treasurer's Vault

Condition: Because of the Treasurer's absence during portions of the audit fieldwork, we learned that only the Treasurer has access to the vault code. Bank statements, checks and other records of fiscal significance to the County are stored in the vault. In the event of the Treasurer's long-term absence or sudden departure from the County, the inability to access the Treasurer's records and the County financial banking records could be detrimental to County operations.

Recommendation: We recommend that someone in addition to the Treasurer, such as the Presiding Commissioner or another Commissioner, be responsible for retaining the Treasurer's vault combination in the event that access is required.

County Response: The County does not make it a practice to open another elected officials vault for information during a vacation or absence from work. The vault combination was secure in a location where it could have been found in the event of an emergency. The combination has been recorded in additional locations and will be kept in the Clerk's vault where the Clerk and the Presiding Commissioner will have knowledge of the combination.

3. Documentation in Collector's Bank Reconciliation (Atchison)

Condition: The Collector records checks in the month prior to when they were actually written. Checks are considered to be outstanding checks at month-end for purposes of the bank reconciliation. This practice understates the Collector's cash balance by a material amount, particularly at year-end. We understand the importance of reconciling cash to the Collector's monthly settlement, however, a reconciliation between cash in the bank and cash per the accounting records at month-end should also be prepared.

Recommendation: We recommend the Collector record checks when written and prepare a bank reconciliation properly noting outstanding checks and book balances.

County Response: The Collector's office will review this recommendation with the Missouri State Auditor's office and will make any necessary changes that are required.

ATCHISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Atchison County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

Finding: The County did not have a written contract with all political subdivisions to provide dispatching services.

Status: Contracts have been entered into with all subdivisions participating in the dispatching services.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Adair County, Missouri

The Office of the State Auditor, in cooperation with Adair County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-81

ADAIR COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

ADAIR COUNTY, MISSOURI

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INTRODUCTORY SECTION

ADAIR COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Gary Jones

Associate Commissioner – Sidney Osborn

Associate Commissioner – Gene Schneider

Other Elected Officials

Assessor – Donnie Waybill

Circuit Clerk – Linda Decker

Recorder – Pat Shoush

Collector – David Erwin

Coroner – Brian Noe

County Clerk – Sandra Collop

Prosecuting Attorney – Mark Williams

Public Administrator – Jeanette Gregory

Sheriff – Leonard Clark

Treasurer – Lori Smith

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Adair County, Missouri

We have audited the accompanying financial statements of Adair County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Adair County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Adair County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Adair County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 7, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
August 7, 2008

FINANCIAL SECTION

ADAIR COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 291,937	2,156,436	1,948,762	499,611	2,177,087	1,810,605	866,093
Special Road and Bridge	87,622	1,418,186	1,492,497	13,311	2,316,848	2,299,524	30,635
Assessment	20,409	258,361	251,180	27,590	273,046	271,216	29,420
Self Funded Insurance	25,243	442,156	467,130	269	49,560	49,591	238
Financial Emergency	219,014	8,674	-	227,688	41,145	-	268,833
Senate Bill 40	-	314,953	314,953	-	348,855	348,855	-
Law Enforcement Services	429,548	702,950	945,001	187,497	759,252	482,630	464,119
Law Enforcement Bond	571	1,271	1,250	592	26	-	618
E-911	15,769	58,613	45,036	29,346	58,997	73,183	15,160
Countryside	85,699	3,395	-	89,094	4,244	-	93,338
Violence Intervention	-	8,937	8,937	-	14,240	14,240	-
Domestic Violence	2,433	4,810	-	7,243	4,428	7,243	4,428
Milliken Cemetery	8,867	1,199	125	9,941	1,431	150	11,222
Election Administration	11,765	1,401	443	12,723	4,801	4,365	13,159
HAVA Grant	4,737	68,512	58,277	14,972	1,003	15,975	-
Recorder User	50,957	10,872	6,694	55,135	10,103	10,720	54,518
Recorder Technology	18,101	5,517	-	23,618	5,531	-	29,149
Collector's Tax	40,155	16,060	8,238	47,977	23,560	31,400	40,137
Law Enforcement General	4,538	1,310,902	1,245,522	69,918	1,375,178	1,264,003	181,093
Law Enforcement Training	2,818	5,816	7,182	1,452	4,705	5,446	711
Sheriff Civil	8,969	37,952	44,405	2,516	45,469	40,789	7,196
Sheriff Revolving	3,369	1,155	494	4,030	5,840	572	9,298
Prosecuting Attorney Training	2,712	1,075	304	3,483	934	232	4,185
Prosecuting Attorney Delinquent Tax	3,836	660	169	4,327	1,299	-	5,626
Prosecuting Attorney Administration	52,454	45,351	21,182	76,623	37,283	49,023	64,883
Child Support Enforcement	1,308	114,955	114,822	1,441	103,696	104,742	395
Juvenile Justice Center	299,945	768,508	730,412	338,041	894,278	761,882	470,437
Juvenile Grant Operations	74,538	330,365	341,758	63,145	363,936	383,363	43,718
GIS Grant	-	-	-	-	7,418	7,418	-
Total	\$ 1,767,314	8,099,042	8,054,773	1,811,583	8,934,193	8,037,167	2,708,609

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADAIR COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND				
Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Sales taxes	\$ 1,333,000	1,381,841	1,382,000	1,490,439
Intergovernmental	120,379	229,969	335,187	193,589
Charges for services	352,186	371,162	382,550	373,668
Interest	6,500	15,202	15,000	33,298
Other	113,052	87,056	88,363	84,861
Transfers in	8,200	71,206	44,916	1,232
Total Receipts	<u>1,933,317</u>	<u>2,156,436</u>	<u>2,248,016</u>	<u>2,177,087</u>
DISBURSEMENTS				
County Commission	91,570	87,470	92,370	88,129
County Clerk	130,730	118,937	123,583	120,732
Elections	82,300	75,572	8,600	7,717
Buildings and grounds	83,620	78,503	97,909	71,242
Employee fringe benefits	285,500	244,288	240,636	249,535
County Treasurer	73,237	67,063	74,032	71,980
Collector	116,850	112,033	119,811	118,079
Recorder of Deeds	99,300	90,920	113,950	106,651
Circuit Clerk	40,500	24,380	49,000	27,201
Associate Circuit Court - Probate	25,000	15,060	25,000	15,298
Court administration	35,609	34,136	36,609	36,298
Public Administrator	67,638	66,622	65,752	64,481
Prosecuting Attorney	221,429	217,860	229,028	222,369
Coroner	20,370	24,300	24,170	25,000
Distributions to Other Governments	215,188	326,084	453,419	292,321
Health and welfare	99,760	117,931	90,776	68,609
Transfers out	267,000	189,603	246,000	163,963
Emergency fund	58,000	58,000	61,000	61,000
Total Disbursements	<u>2,013,601</u>	<u>1,948,762</u>	<u>2,151,645</u>	<u>1,810,605</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(80,284)	207,674	96,371	366,482
CASH, JANUARY 1	291,937	291,937	499,611	499,611
CASH, DECEMBER 31	<u>\$ 211,653</u>	<u>499,611</u>	<u>595,982</u>	<u>866,093</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 550,000	565,409	575,000	625,242	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	950,000	686,699	1,526,300	1,556,033	234,043	253,509	242,561	266,595
Charges for services	66,000	67,398	208,500	51,914	-	-	-	-
Interest	7,500	8,350	8,000	5,995	1,200	2,843	2,750	3,696
Other	19,500	21,330	15,000	16,664	2,400	2,009	2,410	2,755
Transfers in	-	69,000	-	61,000	30,000	-	30,000	-
Total Receipts	1,593,000	1,418,186	2,332,800	2,316,848	267,643	258,361	277,721	273,046
DISBURSEMENTS								
Salaries	477,657	430,822	443,674	460,138	158,437	142,485	147,785	158,705
Employee fringe benefits	208,600	195,848	211,119	191,993	57,000	55,501	57,023	58,511
Materials and Supplies	624,000	609,594	850,500	870,695	12,500	11,814	13,850	11,680
Services and Other	119,200	98,417	163,726	136,202	42,250	41,380	47,650	42,320
Capital Outlay	127,000	108,155	210,000	550	-	-	-	-
Construction	25,000	42,161	437,880	639,946	-	-	-	-
Transfers out	7,500	7,500	7,500	-	-	-	4,460	-
Total Disbursements	1,588,957	1,492,497	2,324,399	2,299,524	270,187	251,180	270,768	271,216
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,043	(74,311)	8,401	17,324	(2,544)	7,181	6,953	1,830
CASH, JANUARY 1	87,622	87,622	13,311	13,311	20,409	20,409	27,590	27,590
CASH, DECEMBER 31	\$ 91,665	13,311	21,712	30,635	17,865	27,590	34,543	29,420

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SELF-FUNDED INSURANCE FUND				FINANCIAL EMERGENCY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	750	561	-	60	6,000	8,674	10,000	11,376
Other	432,136	386,595	-	-	-	-	29,769	29,769
Transfers in	100,000	55,000	100,000	49,500	-	-	-	-
Total Receipts	532,886	442,156	100,000	49,560	6,000	8,674	39,769	41,145
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	545,132	382,817	84,313	49,591	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	84,313	-	-	-	-	-	-
Total Disbursements	545,132	467,130	84,313	49,591	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(12,246)	(24,974)	15,687	(31)	6,000	8,674	39,769	41,145
CASH, JANUARY 1	25,243	25,243	269	269	219,014	219,014	227,688	227,688
CASH, DECEMBER 31	\$ 12,997	269	15,956	238	225,014	227,688	267,457	268,833

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SENATE BILL 40 FUND				LAW ENFORCEMENT SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 250,695	280,643	290,000	314,850	-	-	-	-
Sales taxes	-	-	-	-	675,000	690,324	690,000	744,881
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	214	225	413	20,000	12,626	15,000	14,371
Other	-	34,096	34,201	33,592	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	251,695	314,953	324,426	348,855	695,000	702,950	705,000	759,252
DISBURSEMENTS								
Salaries	18,000	-	-	108,045	-	-	-	-
Employee fringe benefits	7,600	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	242,046	314,953	324,426	240,810	596,150	595,001	493,550	132,630
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	350,000	350,000	350,000	350,000
Total Disbursements	267,646	314,953	324,426	348,855	946,150	945,001	843,550	482,630
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(15,951)	-	-	-	(251,150)	(242,051)	(138,550)	276,622
CASH, JANUARY 1	-	-	-	-	429,548	429,548	187,497	187,497
CASH, DECEMBER 31	\$ (15,951)	-	-	-	178,398	187,497	48,947	464,119

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT BOND FUND				E-911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	35	21	-	26	300	584	500	800
Other	40,000	1,250	1,250	-	57,100	58,029	57,100	58,197
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	40,035	1,271	1,250	26	57,400	58,613	57,600	58,997
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	40,000	1,250	-	-	67,000	45,036	57,600	73,183
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	40,000	1,250	-	-	67,000	45,036	57,600	73,183
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	35	21	1,250	26	(9,600)	13,577	-	(14,186)
CASH, JANUARY 1	571	571	592	592	15,769	15,769	29,346	29,346
CASH, DECEMBER 31	\$ 606	592	1,842	618	6,169	29,346	29,346	15,160

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COUNTRYSIDE FUND				VIOLENCE INTERVENTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,620	3,395	3,800	4,244	-	-	-	-
Other	-	-	-	-	6,000	8,937	10,000	14,240
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,620	3,395	3,800	4,244	6,000	8,937	10,000	14,240
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	6,000	8,937	10,000	14,240
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	6,000	8,937	10,000	14,240
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,620	3,395	3,800	4,244	-	-	-	-
CASH, JANUARY 1	85,699	85,699	89,094	89,094	-	-	-	-
CASH, DECEMBER 31	\$ 87,319	89,094	92,894	93,338	-	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	DOMESTIC VIOLENCE FUND				MILLIKIN CEMETARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	50	169	200	150	200	363	400	491
Other	2,300	4,641	6,000	4,278	750	836	950	940
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	2,350	4,810	6,200	4,428	950	1,199	1,350	1,431
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,782	-	7,243	7,243	125	125	125	150
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,782	-	7,243	7,243	125	125	125	150
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(2,432)	4,810	(1,043)	(2,815)	825	1,074	1,225	1,281
CASH, JANUARY 1	2,433	2,433	7,243	7,243	8,867	8,867	9,941	9,941
CASH, DECEMBER 31	\$ 1	7,243	6,200	4,428	9,692	9,941	11,166	11,222

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION ADMINISTRATION FUND				HAVA GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	5,000	923	4,061	4,142	-	-	-	-
Interest	200	478	300	659	-	1,240	286	286
Other	-	-	-	-	75,105	67,272	-	717
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	5,200	1,401	4,361	4,801	75,105	68,512	286	1,003
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	1,238	-
Services and Other	2,000	443	4,365	4,365	75,105	58,277	4,849	6,149
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	9,170	9,826
Total Disbursements	2,000	443	4,365	4,365	75,105	58,277	15,257	15,975
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	3,200	958	(4)	436	-	10,235	(14,971)	(14,972)
CASH, JANUARY 1	11,765	11,765	12,723	12,723	4,737	4,737	14,972	14,972
CASH, DECEMBER 31	\$ 14,965	12,723	12,719	13,159	4,737	14,972	1	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	RECORDER USER FUND				RECORDER TECH FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	4,700	4,729	4,700	4,314
Interest	1,300	2,084	1,500	2,577	400	788	800	1,217
Other	8,000	8,788	9,500	7,526	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	9,300	10,872	11,000	10,103	5,100	5,517	5,500	5,531
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,000	-	-	-	5,000	-	-	-
Services and Other	6,800	6,694	6,800	10,720	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	16,800	6,694	6,800	10,720	5,000	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(7,500)	4,178	4,200	(617)	100	5,517	5,500	5,531
CASH, JANUARY 1	50,957	50,957	55,135	55,135	18,101	18,101	23,618	23,618
CASH, DECEMBER 31	\$ 43,457	55,135	59,335	54,518	18,201	23,618	29,118	29,149

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COLLECTOR'S TAX FUND				CRIMINAL COSTS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	14,300	14,283	13,250	20,811	-	-	-	-
Interest	700	1,777	1,750	2,749	-	-	-	-
Other	-	-	-	-	32,000	120,249	100,000	105,223
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	15,000	16,060	15,000	23,560	32,000	120,249	100,000	105,223
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	25,252	8,238	25,552	31,400	-	-	-	-
Services and Other	-	-	-	-	32,000	120,249	100,000	105,223
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	25,252	8,238	25,552	31,400	32,000	120,249	100,000	105,223
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(10,252)	7,822	(10,552)	(7,840)	-	-	-	-
CASH, JANUARY 1	40,155	40,155	47,977	47,977	-	-	-	-
CASH, DECEMBER 31	\$ 29,903	47,977	37,425	40,137	-	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT GENERAL FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	680,000	690,324	690,000	744,881	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	205,000	190,442	185,000	212,307	-	-	-	-
Interest	900	5,327	5,000	7,446	80	92	100	68
Other	46,500	69,883	67,700	55,894	5,850	5,724	6,000	4,637
Transfers in	350,000	354,926	350,000	354,650	-	-	-	-
Total Receipts	1,282,400	1,310,902	1,297,700	1,375,178	5,930	5,816	6,100	4,705
DISBURSEMENTS								
Salaries	724,758	647,507	668,615	652,878	-	-	-	-
Employee fringe benefits	278,200	253,660	284,030	262,386	-	-	-	-
Materials and Supplies	202,000	201,195	210,000	190,584	-	-	-	-
Services and Other	155,250	143,160	168,492	158,155	6,000	7,182	7,000	5,446
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	12,095	-	-	-	-	-
Total Disbursements	1,360,208	1,245,522	1,343,232	1,264,003	6,000	7,182	7,000	5,446
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(77,808)	65,380	(45,532)	111,175	(70)	(1,366)	(900)	(741)
CASH, JANUARY 1	4,538	4,538	69,918	69,918	2,818	2,818	1,452	1,452
CASH, DECEMBER 31	\$ (73,270)	69,918	24,386	181,093	2,748	1,452	552	711

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHERIFF CIVIL FUND				SHERIFF REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	40,000	37,358	40,000	39,398	-	-	-	-
Charges for services	-	-	-	-	1,000	1,010	1,000	5,522
Interest	1,000	594	1,000	1,071	60	145	150	318
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	5,000	5,000	-	-	-	-
Total Receipts	41,000	37,952	46,000	45,469	1,060	1,155	1,150	5,840
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,000	5,000	-	-	500	494	500	-
Services and Other	39,498	39,405	42,200	40,789	-	-	-	572
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	44,498	44,405	42,200	40,789	500	494	500	572
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,498)	(6,453)	3,800	4,680	560	661	650	5,268
CASH, JANUARY 1	8,969	8,969	2,516	2,516	3,369	3,369	4,030	4,030
CASH, DECEMBER 31	\$ 5,471	2,516	6,316	7,196	3,929	4,030	4,680	9,298

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY DELINQUENT TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	50	115	50	176	75	159	125	230
Other	1,000	960	900	714	400	501	500	1,069
Transfers in	200	-	-	44	-	-	-	-
Total Receipts	1,250	1,075	950	934	475	660	625	1,299
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	475	169	625	-
Services and Other	1,050	304	950	232	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,050	304	950	232	475	169	625	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	200	771	-	702	-	491	-	1,299
CASH, JANUARY 1	2,712	2,712	3,483	3,483	3,836	3,836	4,327	4,327
CASH, DECEMBER 31	\$ 2,912	3,483	3,483	4,185	3,836	4,327	4,327	5,626

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY ADMINISTRATION FUND				CHILD SUPPORT ENFORCEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	750	2,537	2,500	3,510	50	196	140	62
Other	28,150	42,814	40,000	33,773	120,204	114,759	121,640	103,634
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	28,900	45,351	42,500	37,283	120,254	114,955	121,780	103,696
DISBURSEMENTS								
Salaries	-	-	25,000	-	72,500	72,500	72,500	72,500
Employee fringe benefits	-	-	2,015	1,289	26,254	24,152	24,578	22,622
Materials and Supplies	-	5,834	17,000	11,709	2,700	1,618	2,800	1,562
Services and Other	-	15,348	51,000	36,025	18,650	16,552	19,593	8,058
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	21,182	95,015	49,023	120,104	114,822	119,471	104,742
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	28,900	24,169	(52,515)	(11,740)	150	133	2,309	(1,046)
CASH, JANUARY 1	52,454	52,454	76,623	76,623	1,308	1,308	1,441	1,441
CASH, DECEMBER 31	\$ 81,354	76,623	24,108	64,883	1,458	1,441	3,750	395

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	JUVENILE JUSTICE CENTER FUND				JUVENILE GRANT OPERATIONS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	63,036	63,037	63,037	63,037	212,725	172,398	127,981	122,259
Charges for services	-	-	-	-	-	-	-	-
Interest	4,500	11,031	11,500	12,602	-	-	-	-
Other	489,790	588,477	661,743	712,676	-	-	-	6,655
Transfers in	105,963	105,963	105,963	105,963	157,967	157,967	251,845	235,022
Total Receipts	663,289	768,508	842,243	894,278	370,692	330,365	379,826	363,936
DISBURSEMENTS								
Salaries	-	-	12,500	-	277,379	261,790	300,842	290,375
Employee fringe benefits	-	-	-	-	86,513	79,068	79,776	92,988
Materials and Supplies	116,500	97,480	125,308	115,888	15,200	-	-	-
Services and Other	405,591	495,111	444,007	410,972	-	900	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	137,821	137,821	235,023	235,022	-	-	-	-
Total Disbursements	659,912	730,412	816,838	761,882	379,092	341,758	380,618	383,363
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	3,377	38,096	25,405	132,396	(8,400)	(11,393)	(792)	(19,427)
CASH, JANUARY 1	299,945	299,945	338,041	338,041	74,538	74,538	63,145	63,145
CASH, DECEMBER 31	\$ 303,322	338,041	363,446	470,437	66,138	63,145	62,353	43,718

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GIS GRANT FUND				
Year Ended December 31,				
2006		2007		
Budget	Actual	Budget	Actual	
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	7,418	7,418
Transfers in	-	-	-	-
Total Receipts	-	-	7,418	7,418
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	7,418	7,418
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	-	-	7,418	7,418
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	-	-
CASH, JANUARY 1	-	-	-	-
CASH, DECEMBER 31	\$ -	-	-	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

EXHIBIT C

ADAIR COUNTY, MISSOURI
 STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
 AGENCY FUNDS - REGULATORY BASIS
 DECEMBER 31, 2006 AND 2007

Agency Fund	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
Collector	\$ 1,335,977	1,335,977	1,375,008	1,375,008
CERF	3,571	3,571	3,130	3,130
Overplus Tax	459	459	459	459
Unclaimed Fees	16,927	16,927	18,966	18,966
Unapportioned Schools	47,744	47,744	58,535	58,535
Total	\$ 1,404,678	1,404,678	\$1,456,098	1,456,098

The accompanying Notes to the Financial Statements are an integral part of these statements.

ADAIR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adair County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Adair County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting. Section 50.740

RSMo. prohibits expenditures in excess of the approved budgets. However, we found the following funds to have exceeded the budgeted amounts approved by the Commission:

<u>Fund</u>	Years Ended December 31,	
	<u>2007</u>	<u>2006</u>
Assessment	\$ 447	N/A
Senate Bill 40	24,429	47,307
911	15,583	N/A
Violence Intervention	4,240	2,937
Milliken Cemetery	25	N/A
HAVA	717	N/A
Recorder User	3,920	N/A
Collector's Tax Maintenance	5,848	N/A
Criminal Cost	5,223	88,249
Law Enforcement Training	N/A	1,182
Sheriff's Revolving	72	N/A
Juvenile Grant Operations	2,746	N/A
Prosecuting Attorney Administration	N/A	21,182
Juvenile Justice Center	N/A	70,500

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 163,673,070	150,676,940
Personal Property	58,566,344	57,589,311
Railroad and Utilities	1,345,388	1,371,975

During 2007 and 2006 the County Commission approved two tax levies that are valued at \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
Road and Bridge	\$ 0.2653	0.2600
Surtax	0.4500	0.4500

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements. During 2007, the General Fund loaned the Self Insurance Fund \$49,500.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

H. Debt

During 2007, the County retired its Law Enforcement Bond with a final payment of \$579,619. At December 31, 2007, the County has no outstanding bonded indebtedness.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$4,113,287 and \$3,267,681 the bank balance was \$10,349,022 and \$9,025,618, respectively. Of the bank balance \$249,782 and \$269,364 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$10,099,240 and \$8,756,254, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 — 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property

tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$41,445 and \$32,237, respectively, for the years then ended, equal to the required contributions.

Because certain employees are also participants in LAGERS, a contribution is also required by the County to LAGERS, based on an actuarially determined rate. The rates were 10.7% and 10.9% for 2007 and 2006, respectively, for non-law enforcement personnel, and, for the corresponding years, 11.3% and 11.5%, respectively, for law enforcement personnel. During 2007 and 2006, the County remitted to LAGERS employer contributions of \$209,220 and \$220,971, respectively.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 30 days of sick time -- to accrue at one day per complete calendar month of employment up to 30 days. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to twenty days per year, depending on length of employment. The number of days of sick and vacation leave that can be carried over from year to year was not specified. Also, not specified were the compensation amounts upon termination.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the

prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool. The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Adair County, Missouri

We have audited the financial statements of the governmental activities and fiduciary fund types as identified in the table of contents of Adair County, Missouri, as of and for the years ended December 31, 2007, and December 31, 2006 which collectively comprise the County of Adair, Missouri's basic financial statements and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Adair County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Adair County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adair County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Adair County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Adair County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Adair County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Adair County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described as items 1, 2 and 3 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that is identified as items 7 through 9.

We noted a certain matter that we reported to management of Adair County, Missouri, in the findings and recommendations section as item 10.

Adair County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Adair County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates

August 7, 2008

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Adair County, Missouri

Compliance

We have audited the compliance of Adair County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Adair County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Adair County, Missouri's management. Our responsibility is to express an opinion on Adair County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adair County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Adair County, Missouri's compliance with those requirements.

In our opinion, Adair County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Adair County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Adair County, Missouri's internal control over compliance with the requirements

that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adair County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
August 7, 2008

ADAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Years ended December 31,	
			2007	2006
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through State of Missouri:			
	Department of Social Services -			
10.550	Food Donation	RI-001-014	\$ 450	1,322
	Department of Health and Senior Services -			
10.000	School Lunch and Breakfast Program	65732	25,892	23,455
	Total for U.S. Department of Agriculture		26,342	24,777
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through State of Missouri:			
	Department of Economic Development			
14.228	Community Development Block Grant		260,498	-
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	14-231	-	3,829
	Total for U.S. Department of Housing and Urban Development		260,498	3,829
U.S. DEPARTMENT OF JUSTICE				
	Passed through State of Missouri:			
	State Department of Public Safety -			
16.575	Crime Victim Assistance	16.575	-	120,184
16.579	Byrne formula Grant Program (Narcotics Control Assistance Program)		230,815	230,778
	Cape Girardeau County -			
16.580	Edward Byrne Memorial State and Local Law	2004-NCD2-036	-	160,740
	Enforcement Assistance Discretionary Grants Program		-	-
16.000	MOSTART-Meth Hot Spots Program	2006-NMDTF	-	54,029
16.547	CASA- National CASA Association Program		-	20,000
16.547	Office of Juvenile Justice and Delinquency Prevention	MO11098-07/ 0707-EI	20,000	-
	Total for U.S. Department of Justice		250,815	585,731
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through State of Missouri:			
	Highway and Transportation Commission -	BRO-40	3,658	-
20.205	Highway Planning and Construction	BRO - 41	12,772	17,644
		BRO - 42	226,075	9,208
		BRO - 43	24,527	5,664
	Total for U.S. Department of Transportation		267,032	32,516
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through State of Missouri:			
	Department of Social Services -			
93.000	Domestic Violence Shelters and Service Grants		-	37,576
	Family Violence Prevention and Services		-	37,576
	Total for U.S. Department of Health and Human Services		-	37,576
Total Expenditures of Federal Awards			\$ 804,687	684,429

ADAIR COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

ADAIR COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.579	Byrne Formula Grant Program – Narcotics Control Assistance Program
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See finding nos. 1 through 6.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The status of findings or questioned costs related to Federal Awards for the two years ended December 31, 2005 is as follows:

1. The County does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards. See finding No. 7.

Status – Not implemented.

2. The County prepared an inaccurate financial status report pertaining to the Election Reform Payments program.

Status – Implemented.

3. The County did not solicit bids for a purchase of ten Palm Pilots.

Status – No events of noncompliance with bid policies were noted during the 2006/2007 audits.

FINDINGS AND RECOMMENDATIONS

ADAIR COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Property Tax Internal Controls

Condition: State Statutes provide for an independent review of property taxes by the County Clerk. The County Clerk should verify the accuracy of the current and delinquent tax books. During the period under audit, 2006 and 2007, the County Clerk's office received a copy of the tax books and any additions and abatements that may have occurred throughout the year. Instead of verifying these against the Collector's monthly and annual settlements, they filed their copies in the Clerk's vault. We were informed that the Clerk now maintains records of addition and abatements and compares her records to those of the County Clerk.

It was also noted that the Collector and the Assessor's computer systems do not allow the Assessor to automatically update property assessment additions or abatements to the Collector's computer system. Although the Assessor initiates additions and abatements, they are re-entered into the Collector's and the Clerk's accounting systems. The Collector should not have the ability to enter an abatement into his accounting system, as this ability allows the Collector's staff to receive a tax payment, enter an abatement instead of a cash receipt, divert the cash from the County, and still balance pursuant to the monthly settlement protocol.

Recommendation: We recommend the County adhere to the State-mandated processes, having the County Clerk serve as an independent reviewer of the current and delinquent tax books and any additions and abatements that occur throughout the tax year. This review should be documented and maintained by the County Clerk. We also recommend the ability of the Collector to initiate abatements be removed. If this practice must continue temporarily due to the incompatibility of computer systems, we recommend the County work with the software provider to ensure that an edit report is provided to the Clerk of all abatements initiated by the Collector, and that this report be agreed to the Clerk's records, with her review documented on the report.

County's Response: Adair County is aware of the inadequateness of the method used to change the permanent record when abatements and additions are required. We are aware that proper internal control procedures should not allow one designated office the ability to prepare and collect an amount due statement. We are currently working with a new software provider on a plan to eliminate this problem and expect a solution soon. Meanwhile, please consider the following information concerning what has been done to provide a level of security that we feel is adequate for the situation. We think that we have already initiated many of your recommendations along with some of our own and planned future changes will eliminate your concern.

Please be advised that the Collector and Assessor are currently using the same computer system (Equitech Information System). However, the availability of the Assessor to enter abatements and additions directly into the Collector's terminals does not exist. The Clerk is on a different software system and is unable to communicate with either the Collector or Assessor.

Direct entry of required information by the Collector staff is currently the only way to get abatements and additions into the Collector records. When these records are entered into the system by Collector staff the software system records all changes (either abatements or additions) into an internal report called the “Adair County Personal Court Order Change Report” or the “Adair County Real Court Order Change Report”. These reports show individual taxpayer records, including name, account number and Total Tax On and the Total Tax Off for each reporting period. Additionally, each tax year is totaled individually and then a grand total page of all changes for all years is provided. Currently, the Adair County Clerk receives a copy of this report which they then use to compare to the original change order sheets which are prepared by the Assessor’s office. The Clerk compares the assessed valuation dollar amount (calculated by the Assessor) as well as the individual taxing entity amounts which are calculated by the Collector’s software program. The Collector has no control over whether these two reports match. If the reports match, then the information entered by the Collector was correct and if they don’t match the Clerk’s office investigates why there is a difference.

The Collector never initiates any abatements. Any attempt to initiate abatements without proper authorization would appear in the report monitored by the Clerk. All change orders, including abatements, are monitored for correct entry by the Clerk’s office and the documentation used for verification purposes is never prepared by the Collector.

Auditor’s Evaluation: The Corrective Action Plan is considered adequate.

2. Accounting for Bond Debt Service

Condition: The County maintains an account with a trustee for use in recording principal and interest payments on bonds. The final disbursement from this account to pay the remaining debt service on the bonds was not recorded in the financial statements.

Recommendation: We recommend the Clerk record all financial transactions involving County assets in the accounting records and financial statements.

County’s Response: The County Clerk will attempt to record all financial transactions involving County assets in the accounting records and financial statements.

Auditor’s Evaluation: The Corrective Action Plan is considered adequate.

3. Transfer Between Funds

Condition: Transfers between funds are not always properly recorded as transfers in the respective funds. Amounts recorded as transfers-in for 2007, per the financial statements published in the annual budget, exceeded amounts recorded as transfers-out by \$648,448, and amounts recorded as transfers-in for 2006 exceeded transfers-out by \$648,448. The differences resulted from the recording of transfers as expenditures or revenues, rather than as transfers, in the transfer category, in some of the funds involved.

Recommendation: We recommend the County Clerk record transfers consistently between funds within the “Transfers” category, rather than as expenditures or revenues.

County’s Response: In the future, the County Clerk will attempt to record transfers consistently between funds with the “Transfers” category, rather than as expenditures or revenue.

Auditor's Evaluation: The Corrective Action Plan is considered adequate.

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

4. Controls over Revenues in the Sheriff's Office

Condition: The Sheriff's Office has identified missing receipts from the receipt book used to record fees and bonds. Upon investigation it was noted by the Sheriff that certain cash receipt transactions amounting to \$1,549.25 were entered into the subsidiary records without a corresponding receipt or deposit.

Research into missing receipts and/or deposits is continuing and, as a result, several more irregular transactions have been identified. Some of these transactions involved revenues without a corresponding deposit, and some of them involved revenues which had a higher amount deposited than was receipted.

The above irregularities were allowed to occur because the same individual was capable of receiving cash, writing receipts, recording cash collections in the accounting system and inputting cash collections into the computer. As there was no review of these processes and records by an independent party, receipts could be removed and the related cash deposit could be reduced without anyone detecting the variance between these amounts and the accounting records.

Recommendation: We recommend that the Sheriff's Office revise responsibilities to ensure that no one individual is capable of both misappropriating cash and also concealing the misappropriation through manipulation of receipts or accounting records. When reconciling the bank statements, a total of all outstanding checks and deposits in transit needed to be reconciled to get the ending book balance. The outstanding checks that have already been transferred to the Prosecuting Attorney need to be cleared out of the unclaimed fees section in the system with just having the actual outstanding checks in the system. In addition, we recommend that the receipts issued be logged daily on the computer in order to readily detect any missing receipt numbers. The amount of each receipt should also be noted and the total should correspond to the day's bank deposit. Every week or month, depending on the transaction volume, the daily log should be printed, the totals agreed to cash deposits, and the numerical sequence reviewed for completeness. Because of the significant dollar amount of bonds and fees processed by the Sheriff's office, and the small size of the staff, we recommend this review be performed by the Sheriff.

County's Response: The Sheriff's Office informed the auditors of this situation. The Sheriff wrote a letter to the Missouri State Highway Patrol to request an investigation. This is an ongoing investigation being handled by the Missouri State Highway Patrol Division of Drug and Crime Control. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

5. Controls over Bank Account Reconciliations in the Sheriff's Office

Condition: The Sheriff's Office accounts for inmate monies in a separate bank account. While reviewing internal controls at the office we observed that the bank account is not reconciled to the listing of cash held for each inmate and in total. We also noted the same individual who receives and records inmate account collections also receives the

bank statement. The bank statement is reconciled to current month recorded transactions and not to the ending cash balance. Even this partial bank reconciliation is not reviewed by anyone independent of this function, and the effectiveness of the reconciliation process is weakened because the ending balance is not reconciled to any records. Because there is no review of these processes and records by an independent party, inmate cash receipts could be removed and the related cash deposit could be reduced without anyone detecting the variance between these amounts and the accounting records.

Recommendation: We recommend that all bank accounts be reconciled by someone independent of the functions of receiving and recording cash. When reconciling the bank statements, the bank balance should be adjusted for reconciling items (outstanding checks and deposits in transit), and the resulting balance should be agreed to the records of monies held on behalf of the inmates. Any differences should be brought to the attention of the Sheriff and immediately investigated.

County's Response: The Adair County Sheriff's Office will contact two local Certified Public Accountants. The Adair County Sheriff's Office will request bids to independently review accounts on a quarterly basis. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

The Adair County Commission will take Chief Deputy Logston's recommendations into serious consideration.

6. Staffing and Segregation of Duties in Sheriff's Office

Condition: The Sheriff employs an office manager who oversees the administrative and financial aspects of the office. The individual who records and accounts for inmate monies is the office manager's daughter. This situation reduces the ability to provide an independent review of transactions and bank reconciliations and also may result in less effective supervision.

Recommendation: We recommend the County adopt a policy prohibiting the supervision of an employee or an employee's work by a relative.

County's Response: Emily Cuculich Gleason's daughter worked as an administrative assistant from July 8, 2004 to November 1, 2006. At that time Cuculich's position changed to a full time Deputy Sheriff. Since then she has occasionally filled in to train new administrative assistants. As of November 1, 2006 Barb Rogers moved from a jailer position to administrative assistant. After the investigation into missing monies, Barb Rogers resigned on July 8, 2008 from the Sheriff's Office. Since that time Cuculich has been training two new administrative assistants. Also during that time Gleason has not been reconciling accounts. The Adair County Sheriff's Office will take any measures to comply with the recommendations of the Auditor.

The Adair County Commission will adopt a policy prohibiting the supervision of an employee or an employee's work by a relative.

ITEMS OF NONCOMPLIANCE

7. Preparation of Schedule of Expenditure of Federal Awards

Condition: The County does not have adequate procedures in place to track federal

awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the County's SEFA contained errors and omissions. Expenditures were significantly understated by amounts of approximately \$200,000 and \$500,000 in each of the years ended December 31, 2007 and 2006. This was caused principally by the omission of the Narcotics Control Assistance Program and the Community Development Block Grant.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the County's financial statements. The County is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Recommendation: We recommend the County Commission and the County Clerk work together to ensure the accuracy of the Schedule of Expenditure of Federal Awards. The County Commission should take steps to ensure all departments and/or officials properly track federal awards so that all federal awards can be identified and properly reported on the SEFA.

Procedures for checking the SEFA should include:

- surveying departmental officials with respect to Federal awards they have received and expended,
- agreeing amounts on the schedule to the County's financial statements, and
- reading the financial statements with an objective of identifying any Federal funds that are not reported on the Schedule.

Without an accurate SEFA, federal financial activity may not be audited and reported pursuant to federal audit requirements, which could result in future reductions of federal awards.

County's Response: The County Commission and the County Clerk will work together to ensure the accuracy of the Schedule of Expenditures of Federal Awards.

Auditor's Response: The Corrective Action Plan is considered adequate.

8. Investment Policy

The County has not adopted an investment policy. Investment policies are established to ensure that investments made by the county appropriately commit the county to investments for safety, liquidity, and yield. RSMo 30.950 requires political subdivision with authority to invest in instruments other than depository accounts to have an investment policy.

Recommendation: We suggest that the County Commission adopt an investment policy in accordance with RSMo 30.950.

County Response: The County Commission will adopt an investment policy in accordance with RSMo 30.950.

9. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. During the audit period, there were 12 different

funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- Assessment - 2007
- Senate Bill 40 – 2006 and 2007
- 911 – 2007
- Violence Intervention – 2006 and 2007
- Milliken Cemetery – 2007
- HAVA – 2007
- Recorder's User Fund – 2007
- Collector's Tax Fund – 2007
- Criminal Cost – 2006 and 2007
- Law Enforcement Training - 2006
- Prosecuting Attorney Administration – 2006
- Juvenile Justice Center – 2006
- Sheriff Revolving – 2007
- Juvenile Grant Operations – 2007

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget.

County Response: The County Commission will attempt to establish controls to ensure that disbursements are not approved in excess of the approved budget. Senate Bill 40, 911, Violence Intervention, and Criminal Cost are accounts that are listed in the County budget, but the County can only estimate the amount of revenue and expenses associated with these accounts. The Recorder's User Fund, Collector's Tax Fund, Prosecuting Attorney Administration and Sheriff's Revolving Fund are not required, but preferred by the State auditors to be listed in the County budget. The County has no control over the expenditures that could occur in these accounts.

OTHER MATTERS

In planning and performing our audit of the financial statements of Adair County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated August 7, 2008. (A separate report dated August 7, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated August 7, 2008.

10. Documentation of Departmental Collections

Condition: Various County officeholders collect revenues from the sale of maps and other items, fees, taxes, and charges for services. These revenues are generally noted on a form that accompanies the deposit of cash with the Treasurer. During the audit we observed that the listings are not consistently detailed, totaled and signed in order that the Treasurer can readily determine that the cash transmitted is correct and supported by the accounting document. This failure to total and sign the document places the Treasurer in the untenable position of receiving cash and checks without an ability to determine whether there is an error in the amount transmitted.

Recommendation: We recommend that officeholders who collect cash provide a summary of the collections, by type of revenue, totaled and signed by the individual responsible for the deposit with the Treasurer.

County's Response: We will contact the elected officials who collect cash to provide a summary of the collections by type of revenue, totaled and signed by the individual responsible for the deposit with the Treasurer.

ADAIR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Adair County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

1. Problems were noted regarding receipt and disbursement classifications in county budgets. Additional budget concerns included no budget for several smaller funds and actual disbursements exceeded budgeted amounts in several funds. See finding No. 9.

Status- Not implemented

2. Bid and other supporting documentation for disbursements was not always retained and the county had not entered into written agreements for some services.

Status- Implemented

3. The County Clerk does not verify the accuracy of the current and delinquent tax books as required by state statute. In addition, the County Commission and County Clerk are not providing a review of the activities of the County Collector and some tax abatements were not approved by court order. See finding No. 1.

Status-Not Implemented regarding the County Clerk's duties; Implemented regarding the County Commission's duties.

4. Sheriff's office procedures relating to processing of monies, unidentified monies, old outstanding checks, and contract monitoring were in need of improvement. See finding Nos.4, 5 and 6.

Status- Not implemented



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Miller County, Missouri

The Office of the State Auditor, in cooperation with Miller County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-80

MILLER COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

MILLER COUNTY, MISSOURI

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INTRODUCTORY SECTION

MILLER COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Tom Wright

Associate Commissioner – John Klindt

Associate Commissioner – David Whittle

Other Elected Officials

Assessor – Don Steen

Circuit Clerk / Recorder – Ginise Buechter

Collector – Larry Sullivan

Coroner – Rick Callahan

County Clerk – Clayton Jenkins

Prosecuting Attorney – Matthew Howard

Public Administrator – Janet Whittle

Sheriff – William Abbott

Treasurer – Phil Lawson

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Miller County, Missouri

We have audited the accompanying financial statements of Miller County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Miller County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Miller County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Miller County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 12, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Original signed by Auditor)
McBride, Lock & Associates
July 12, 2008

FINANCIAL SECTION

MILLER COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 330,697	2,898,319	2,930,240	298,776	2,866,616	2,823,709	341,683
Special Road and Bridge	64,883	1,758,651	1,766,538	56,996	1,843,948	1,736,681	164,263
Assessment	30,808	317,642	300,018	48,432	342,049	334,884	55,597
Law Enforcement Training	3,572	4,093	3,226	4,439	7,617	10,557	1,499
Prosecuting Attorney Training	1,681	1,116	1,377	1,420	940	193	2,167
Bad Check Fees	30,485	54,485	18,662	66,308	48,380	33,275	81,413
Emergency Management	-	17,411	9,071	8,340	8,187	11,775	4,752
911	2,465	465,614	467,686	393	565,766	559,659	6,500
Capital Improvement	662,414	1,907,985	1,792,613	777,786	1,663,855	1,950,230	491,411
Miller County Law Enforcement Reserve	932,282	-	-	932,282	-	-	932,282
Sheriff's Discretionary	10,000	116,651	100,774	25,877	83,959	105,296	4,540
P.A. Delinquent Sales Tax	2,290	684	-	2,974	3,044	-	6,018
Shelter for Victims of Domestic Violence	4,953	2,078	98	6,933	2,425	-	9,358
Recorder's User Fee	54,165	18,333	23,946	48,552	17,978	23,234	43,296
Criminal Forfeiture	31	5,025	4,047	1,009	47	1,056	-
Lake Ja Ha Neighborhood Imporvement District (NID)	69	4,998	4,247	820	3,437	4,250	7
Family Access Motion	385	22	-	407	22	-	429
Drug Awareness & Resistance Education	1,300	2,610	3,825	85	2,117	2,202	-
W-12 Construction Maintenance	72,124	27,007	30,174	68,957	25,881	29,121	65,717
TIF Special Account for Developer	7	649,742	649,742	7	-	-	7
TIF Administrative	-	257,190	257,190	-	-	-	-
TIF Special Allocation	-	-	-	-	514,106	514,106	-
FEMA Flood Money	-	-	-	-	58,105	58,105	-
W-15C NID	50,195	14,923	12,413	52,705	15,719	12,088	56,336
Local Emergency Preparedness	4,698	6,979	439	11,238	5,732	-	16,970
POST Commission	8	2,415	2,420	3	-	-	3
Election Services	17,861	191,644	207,163	2,342	4,599	-	6,941
Oak Terrace NID	5,078	80,904	83,818	2,164	8,408	8,575	1,997
Recorder's Technology	27,036	12,059	5,848	33,247	11,134	15,285	29,096
Jail	3,438	1,088,541	1,091,494	485	1,158,873	1,073,941	85,417
Time Payment Fee Fund	50	10	-	60	23	-	83
Norman Road/Hand Land NID	-	112,955	295	112,660	220,049	324,180	8,529
Port Bagnell Road NID	-	1,005	346	659	375,620	314,528	61,751
TIF 1 - Northport	-	-	-	-	268,980	268,980	-
Osage National Retail Outlet	-	-	-	-	5,188	-	5,188
Total	\$ 2,312,975	10,021,091	9,767,710	2,566,356	10,132,804	10,215,910	2,483,250

The accompanying Notes to the Financial Statements are an integral part of this statement.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

GENERAL FUND				
Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 52,000	165,713	186,000	144,787
Sales taxes	1,800,000	1,956,874	2,070,000	1,750,401
Intergovernmental	288,110	219,723	232,207	369,485
Charges for services	590,100	525,669	531,075	575,748
Interest	7,561	21,963	20,001	19,516
Other	227,000	8,377	6,000	5,604
Transfers in	-	-	-	1,075
Total Receipts	<u>2,964,771</u>	<u>2,898,319</u>	<u>3,045,283</u>	<u>2,866,616</u>
DISBURSEMENTS				
County Commission	130,630	119,006	125,739	117,527
County Clerk	96,038	93,103	99,061	100,439
Elections	194,865	177,255	98,353	77,341
Buildings and grounds	141,356	152,813	165,817	173,193
Employee fringe benefits	345,385	315,742	354,080	334,189
County Treasurer	51,300	45,854	52,838	49,120
Collector	111,659	109,471	114,214	109,688
Recorder of Deeds	55,345	44,607	46,176	44,965
Circuit Clerk	17,572	15,629	14,000	11,928
Associate Circuit Court - Probate	31,000	16,486	32,000	14,531
Associate Circuit Court	-	-	-	-
Court administration	16,125	11,304	16,125	10,460
Public Administrator	32,000	29,366	31,038	29,325
Sheriff	616,557	699,002	637,663	673,957
Jail	-	-	-	-
Prosecuting Attorney	194,373	182,289	206,704	192,514
Juvenile Officer	84,207	58,342	87,080	60,234
Coroner	24,452	19,393	23,926	32,960
Other	245,291	202,705	217,154	194,864
Available	-	233,539	-	236,398
Health and welfare	-	-	-	-
Transfers out	400,000	404,334	598,000	360,076
Emergency fund	88,943	-	91,359	-
Total Disbursements	<u>2,877,098</u>	<u>2,930,240</u>	<u>3,011,327</u>	<u>2,823,709</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	87,673	(31,921)	33,956	42,907
CASH, JANUARY 1	<u>330,697</u>	<u>330,697</u>	<u>298,776</u>	<u>298,776</u>
CASH, DECEMBER 31	<u>\$ 418,370</u>	<u>298,776</u>	<u>332,732</u>	<u>341,683</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 288,500	345,440	388,218	488,960	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	780,000	1,143,501	1,550,926	1,137,754	293,347	306,543	306,268	326,794
Charges for services	500	16,124	-	-	3,000	6,542	5,000	8,779
Interest	5,000	5,102	5,000	6,173	2,500	4,459	5,000	5,832
Other	452,000	23,799	15,000	77,597	-	98	-	644
Transfers in	100,000	224,685	200,000	133,464	-	-	-	-
Total Receipts	1,626,000	1,758,651	2,159,144	1,843,948	298,847	317,642	316,268	342,049
DISBURSEMENTS								
Salaries	443,695	465,631	524,746	538,454	183,302	179,949	190,329	194,824
Employee fringe benefits	654,023	161,212	240,925	240,280	62,756	52,584	62,938	64,547
Materials and Supplies	145,000	328,113	480,000	399,560	18,000	59,517	75,700	38,030
Services and Other	174,326	181,937	108,559	157,554	28,981	7,537	8,537	36,919
Capital Outlay	260,000	225,903	300,000	166,266	-	-	-	-
Construction	450,000	403,742	457,625	234,567	-	-	-	-
Transfers out	-	-	-	-	-	431	850	564
Total Disbursements	2,127,044	1,766,538	2,111,855	1,736,681	293,039	300,018	338,354	334,884
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(501,044)	(7,887)	47,289	107,267	5,808	17,624	(22,086)	7,165
CASH, JANUARY 1	64,883	64,883	56,996	56,996	30,808	30,808	48,432	48,432
CASH, DECEMBER 31	\$ (436,161)	56,996	104,285	164,263	36,616	48,432	26,346	55,597

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,551	3,887	3,713	6,255	1,050	1,015	1,000	852
Interest	87	206	206	149	25	101	100	88
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,213	-	-	-	-
Total Receipts	4,638	4,093	3,919	7,617	1,075	1,116	1,100	940
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,638	3,226	3,919	10,557	1,000	1,377	1,500	193
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,638	3,226	3,919	10,557	1,000	1,377	1,500	193
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	867	-	(2,940)	75	(261)	(400)	747
CASH, JANUARY 1	3,572	3,572	4,439	4,439	1,681	1,681	1,420	1,420
CASH, DECEMBER 31	\$ 3,572	4,439	4,439	1,499	1,756	1,420	1,020	2,167

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	BAD CHECK FEE FUND FOR PROSECUTING ATTORNEY				EMERGENCY MANAGEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	20,000	7,000	8,067	675
Charges for services	32,000	51,812	35,000	44,318	-	-	-	-
Interest	5	2,652	-	4,062	-	84	-	180
Other	-	21	-	-	-	-	-	4,667
Transfers in	-	-	-	-	-	10,327	10,327	2,665
Total Receipts	32,005	54,485	35,000	48,380	20,000	17,411	18,394	8,187
DISBURSEMENTS								
Salaries	21,718	15,611	25,576	22,611	12,000	2,603	10,000	7,792
Employee fringe benefits	5,551	3,016	3,594	3,644	-	199	505	596
Materials and Supplies	-	-	6,000	70	4,425	4,744	525	2,135
Services and Other	-	35	4,000	6,950	-	1,525	2,647	1,252
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	27,269	18,662	39,170	33,275	16,425	9,071	13,677	11,775
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,736	35,823	(4,170)	15,105	3,575	8,340	4,717	(3,588)
CASH, JANUARY 1	30,485	30,485	66,308	66,308	-	-	8,340	8,340
CASH, DECEMBER 31	\$ 35,221	66,308	62,138	81,413	3,575	8,340	13,057	4,752

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	911 FUND				CAPITAL IMPROVEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 273,967	252,185	251,932	243,914	-	-	-	-
Sales taxes	-	-	-	-	1,800,000	1,774,787	1,900,000	1,564,825
Intergovernmental	18,500	12,368	22,500	16,312	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	619	1,061	1,045	894	20,000	38,944	39,000	33,030
Other	40	-	-	842	130,000	94,254	-	66,000
Transfers in	160,000	200,000	196,000	303,804	-	-	-	-
Total Receipts	453,126	465,614	471,477	565,766	1,950,000	1,907,985	1,939,000	1,663,855
DISBURSEMENTS								
Salaries	250,462	282,807	227,678	271,790	-	-	-	-
Employee fringe benefits	88,427	85,457	86,814	82,409	-	-	-	-
Materials and Supplies	21,500	14,212	15,340	83,174	-	-	-	-
Services and Other	81,605	85,210	124,435	122,286	955,830	1,076,359	1,057,810	1,043,412
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	660,000	716,254	596,000	906,818
Total Disbursements	441,994	467,686	454,267	559,659	1,615,830	1,792,613	1,653,810	1,950,230
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	11,132	(2,072)	17,210	6,107	334,170	115,372	285,190	(286,375)
CASH, JANUARY 1	2,465	2,465	393	393	662,414	662,414	777,786	777,786
CASH, DECEMBER 31	\$ 13,597	393	17,603	6,500	996,584	777,786	1,062,976	491,411

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	LAW ENFORCEMENT RESERVE FUND ACCOUNT				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	73,000	91,558	97,328	82,696
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	705	1,093	1,093	1,263
Other	-	-	-	-	-	3,500	1,272	-
Transfers in	-	-	-	-	-	20,500	-	-
Total Receipts	-	-	-	-	73,705	116,651	99,693	83,959
DISBURSEMENTS								
Salaries	-	-	-	-	3,503	23,889	3,368	27,033
Employee fringe benefits	-	-	-	-	475	2,026	457	2,163
Materials and Supplies	-	-	-	-	69,101	73,209	74,209	51,560
Services and Other	-	-	-	-	-	-	30,000	20,533
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	1,250	1,650	-	4,007
Total Disbursements	-	-	-	-	74,329	100,774	108,034	105,296
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	(624)	15,877	(8,341)	(21,337)
CASH, JANUARY 1	932,282	932,282	932,282	932,282	10,000	10,000	25,877	25,877
CASH, DECEMBER 31	\$ 932,282	932,282	932,282	932,282	9,376	25,877	17,536	4,540

tatements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	P.A. DELINQUENT SALES TAX FUND				SHELTER FOR VICTIMS OF DOMESTIC VIOLENCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	530	2,500	2,806	-	-	-	-
Charges for services	-	-	-	-	-	1,761	1,550	2,010
Interest	50	154	100	238	-	-	-	-
Other	-	-	-	-	-	317	350	415
Loan Proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	2,550	684	2,600	3,044	-	2,078	1,900	2,425
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,500	-	3,000	-	-	-	-	-
Services and Other	1,500	-	1,500	-	4,952	98	5,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,000	-	4,500	-	4,952	98	5,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,450)	684	(1,900)	3,044	(4,952)	1,980	(3,100)	2,425
CASH, JANUARY 1	2,290	2,290	2,974	2,974	4,953	4,953	6,933	6,933
CASH, DECEMBER 31	\$ 840	2,974	1,074	6,018	1	6,933	3,833	9,358

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	RECORDER'S USER FEE FUND				CRIMINAL FORFEITURE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	15,000	15,456	15,000	15,533	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,905	2,877	2,800	2,445	-	25	24	47
Other	-	-	-	-	-	5,000	5,000	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	16,905	18,333	17,800	17,978	-	5,025	5,024	47
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	22,000	23,946	27,000	23,234	-	4,047	5,000	1,056
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	22,000	23,946	27,000	23,234	-	4,047	5,000	1,056
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(5,095)	(5,613)	(9,200)	(5,256)	-	978	24	(1,009)
CASH, JANUARY 1	54,165	54,165	48,552	48,552	31	31	1,009	1,009
CASH, DECEMBER 31	\$ 49,070	48,552	39,352	43,296	31	1,009	1,033	-

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	LAKE JA HA NID				FAMILY ACCESS MOTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 4,258	4,935	4,950	3,276	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	56	56	80	-	22	22	22
Other	-	-	-	-	-	-	-	-
Transfers in	-	7	-	81	-	-	-	-
Total Receipts	4,258	4,998	5,006	3,437	-	22	22	22
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	4,249	4,247	4,250	4,250	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	4,249	4,247	4,250	4,250	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	9	751	756	(813)	-	22	22	22
CASH, JANUARY 1	69	69	820	820	385	385	407	407
CASH, DECEMBER 31	\$ 78	820	1,576	7	385	407	429	429

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	DARE FUND				W-12 CONSTRUCTION MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	23,152	23,217	23,225	22,395
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,007	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	50	35	35	10	2,000	3,790	3,800	3,413
Other	500	675	-	-	-	-	-	73
Transfers in	500	1,900	1,003	1,100	-	-	-	-
Total Receipts	1,050	2,610	1,038	2,117	25,152	27,007	27,025	25,881
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,050	3,825	1,038	2,202	26,000	30,174	29,325	29,121
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,050	3,825	1,038	2,202	26,000	30,174	29,325	29,121
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(1,215)	-	(85)	(848)	(3,167)	(2,300)	(3,240)
CASH, JANUARY 1	1,300	1,300	85	85	72,124	72,124	68,957	68,957
CASH, DECEMBER 31	\$ 1,300	85	85	-	71,276	68,957	66,657	65,717

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	TIF-SPECIAL ACCOUNT FOR DEVELOPER FUND				TIF-ADMINISTRATIVE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	649,742	650,000	-	-	257,190	258,000	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	649,742	650,000	-	-	257,190	258,000	-
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	649,742	650,000	-	-	257,190	258,000	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	649,742	650,000	-	-	257,190	258,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	-	-	-	-
CASH, JANUARY 1	7	7	7	7	-	-	-	-
CASH, DECEMBER 31	\$ 7	7	7	7	-	-	-	-

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	TIF-SPECIAL ALLOCATION (PREWITT'S) FUND				FEMA FLOOD MONEY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	514,106	-	-	-	58,105
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	514,106	-	-	-	58,105
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	514,106	-	-	-	56,295
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	1,810
Total Disbursements	-	-	-	514,106	-	-	-	58,105
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	-	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	-	-	-	-	-	-	-

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	W-15C NID FUND				LOCAL EMERGENCY PREPAREDNESS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	12,000	12,025	12,025	12,851	14,000	6,411	6,810	4,978
Charges for services	-	-	-	-	-	-	-	-
Interest	1,500	2,898	2,900	2,868	-	568	-	754
Other	13,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	26,500	14,923	14,925	15,719	14,000	6,979	6,810	5,732
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	14,000	-	125	-
Services and Other	13,500	12,413	12,413	12,088	-	439	2,800	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	13,500	12,413	12,413	12,088	14,000	439	2,925	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	13,000	2,510	2,512	3,631	-	6,540	3,885	5,732
CASH, JANUARY 1	50,195	50,195	52,705	52,705	4,698	4,698	11,238	11,238
CASH, DECEMBER 31	\$ 63,195	52,705	55,217	56,336	4,698	11,238	15,123	16,970

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MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	POST COMMISSION FUND				ELECTION SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,115	2,165	2,165	-	212,000	189,703	-	2,766
Charges for services	-	-	-	-	-	-	-	-
Interest	20	-	-	-	-	1,941	-	200
Other	-	-	-	-	-	-	-	1,633
Transfers in	-	250	-	-	-	-	-	-
Total Receipts	2,135	2,415	2,165	-	212,000	191,644	-	4,599
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	197,000	-	-	-
Services and Other	2,115	2,420	2,165	-	32,800	207,163	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	2,115	2,420	2,165	-	229,800	207,163	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	20	(5)	-	-	(17,800)	(15,519)	-	4,599
CASH, JANUARY 1	8	8	3	3	17,861	17,861	2,342	2,342
CASH, DECEMBER 31	\$ 28	3	3	3	61	2,342	2,342	6,941

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	OAK TERRACE N.I.D. FUND				RECORDER'S TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 6,500	80,769	80,000	1,975	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	9,550	10,417	10,000	9,498
Charges for services	-	-	-	-	-	-	-	-
Interest	-	135	135	22	950	1,642	1,500	1,636
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	6,411	1,900	-	1,900	-
Total Receipts	6,500	80,904	80,135	8,408	12,400	12,059	13,400	11,134
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	8,575	15,000	5,848	15,000	13,967
Services and Other	6,500	83,818	80,000	-	-	-	1,438	1,318
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	6,500	83,818	80,000	8,575	15,000	5,848	16,438	15,285
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(2,914)	135	(167)	(2,600)	6,211	(3,038)	(4,151)
CASH, JANUARY 1	5,078	5,078	2,164	2,164	27,036	27,036	33,247	33,247
CASH, DECEMBER 31	\$ 5,078	2,164	2,299	1,997	24,436	33,247	30,209	29,096

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	JAIL FUND				TIME PAYMENT FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	544,745	348,915	550,513	284,486	-	-	-	-
Charges for services	-	-	-	-	-	10	-	20
Interest	946	1,234	1,251	288	-	-	-	3
Other	39,411	52,892	51,624	49,865	-	-	-	-
Transfers in	600,000	685,500	550,000	824,234	-	-	-	-
Total Receipts	1,185,102	1,088,541	1,153,388	1,158,873	-	10	-	23
DISBURSEMENTS								
Salaries	439,273	460,049	466,945	466,914	-	-	-	-
Employee fringe benefits	214,876	157,961	208,627	180,241	-	-	-	-
Materials and Supplies	167,300	190,962	164,510	160,821	-	-	-	-
Services and Other	294,405	282,522	281,818	265,193	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	772	-	-	-	-
Total Disbursements	1,115,854	1,091,494	1,121,900	1,073,941	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	69,248	(2,953)	31,488	84,932	-	10	-	23
CASH, JANUARY 1	3,438	3,438	485	485	50	50	60	60
CASH, DECEMBER 31	\$ 72,686	485	31,973	85,417	50	60	60	83

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	NORMAN ROAD/HAND LAND NID FUND				PORT BAGNELL ROAD NID FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	110,975	140,000	118,228	-	-	-	363,750
Charges for services	-	-	-	-	-	-	-	-
Interest	-	980	-	1,684	-	-	-	-
Other	-	1,000	-	100,137	-	1,005	250,000	11,870
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	112,955	140,000	220,049	-	1,005	250,000	375,620
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	295	140,000	324,180	-	346	250,000	314,528
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	295	140,000	324,180	-	346	250,000	314,528
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	112,660	-	(104,131)	-	659	-	61,092
CASH, JANUARY 1	-	-	112,660	112,660	-	-	659	659
CASH, DECEMBER 31	\$ -	112,660	112,660	8,529	-	659	659	61,751

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

	TIF 1 - NORTHPORT FUND				OSAGE NATIONAL RETAIL OUTLET FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	268,980	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	5,188
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	268,980	-	-	-	5,188
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	268,980	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	268,980	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	-	-	-	5,188
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	-	-	-	-	-	-	5,188

The accompanying Notes to the Financial Statements are an integral part of these statements.

MILLER COUNTY, MISSOURI
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2006 AND 2007

Exhibit C

	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
CERF	\$ 3,884	3,884	\$ 3,344	3,344
Financial Institution Tax	-	-	1,492	1,492
Overplus Sales Tax	113,768	113,768	103,669	103,669
School Building Revolving	2,006	2,006	7,161	7,161
School Fines	26,872	26,872	28,049	28,049
Unclaimed Fees	17,040	17,040	16,215	16,215
Criminal Costs	-	-	27,057	27,057
School Funds	-	-	73,616	73,616
Senior Citizen Services	99,523	99,523	77,150	77,150
Collector's Tax Maintenance	76,463	76,463	61,871	61,871
Bagnell Special Road District	39,287	39,287	3,536	3,536
Kaiser Special Road District	30,809	30,809	1,360	1,360
Kaiser Special Road District Marina Tax	1,637	1,637	-	-
Bagnell Special Marina Tax	113,912	113,912	121,739	121,739
Collector	3,005,088	3,005,088	1,476,834	1,476,834
Marina Tax	27,705	27,705	21,151	21,151
Total	<u>\$ 3,557,994</u>	<u>\$ 3,557,994</u>	<u>\$ 2,024,244</u>	<u>\$ 2,024,244</u>

The accompanying notes to the Financial Statements are an integral part of this statement.

MILLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Miller County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Miller County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
- 2) On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
- 4) State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
- 5) A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
- 6) Prior to February 1 the budget is legally enacted by a vote of the County Commission.
- 7) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
- 8) Budgets are prepared and adopted on the cash basis of accounting.
- 9) Although adoption of a formal budget is required by law, the County, in either or both 2006 and 2007, did not adopt a formal budget for the following funds:
 - a) Criminal Forfeiture Fund
 - b) Family Access Motion Fund
 - c) FEMA Flood Money Fund
 - d) TIF – Special Allocation Fund
 - e) TIF – Special Account for Developer Fund
 - f) TIF – Administrative Fund
 - g) TIF – Special Allocation (Prewitt's) Fund
 - h) Norman Road/Hand Land NID Fund

- i) TIF1 – Northpost Fund
- j) Time Payment Fee Fund
- k) Port Bagnell Road NID Fund
- l) Osage National Retail Outlet Fund

10) Section 50.740 RSMo. prohibits expenditures in excess of the approved budgetary authority. Actual expenditures exceeded budgeted amounts in 2006 and/or 2007 for the following funds:

- a) General Revenue
- b) Assessment
- c) Prosecuting Attorney Training
- d) Law Enforcement Training
- e) 911
- f) Capital Improvement
- g) Sheriff's Discretionary
- h) Recorder's User Fee
- i) Criminal Forfeiture
- j) D.A.R.E.
- k) W-12
- l) Post Commission
- m) Oak Terrace NID
- n) Port Bagnell Road NID
- o) FEMA Disaster
- p) Norman Road NID

E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 267,984,630	235,382,168
Personal Property	71,657,966	67,464,269
Railroad and Utilities	19,098,600	15,826,700

During 2007 and 2006 the County Commission approved a \$0.0076 and \$0.035 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.0076</u>	<u>\$0.035</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$6,041,244 and \$4,590,600, the bank balance was \$4,674,930 and \$2,766,693 respectively. Of the bank balance \$211,496 and \$208,305 for December 31, 2007 and December 31, 2006, respectively, were covered by federal depository insurance and \$4,463,434 and \$2,558,387, respectively, were covered collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

The County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 — 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$48,392 and \$37,402, respectively, for the years then ended, equal to the required contributions.

Because certain employees are also participants in LAGERS, a contribution is also required by the County to LAGERS, based on an actuarially determined rate. The rates were 5.6% and 5.9% for 2007 and 2006, respectively, for non-law enforcement personnel, and, for the corresponding years, 0.6% and 1.2%, respectively, for law enforcement personnel. During 2007 and 2006, the County collected and remitted to LAGERS employee contributions of \$83,120 and \$83,290, respectively, and employer contributions of \$101,525 and \$104,605, respectively.

2. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County is indebted to contribute \$7,106 and \$2,244, respectively, for the years ended December 31, 2007 and 2006.

3. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

4. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 240 hours of total leave time – sick leave accrues at the rate of one day per calendar month of employment. Vacation time is accrued for every full time employee, and accrues at the rate of one day per calendar month up to two days depending on the length of the employee's term of employment. Upon termination, the employee may receive up to the 240 hours of leave either as compensation or as early termination.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditures of federal awards did not exceed \$500,000 in either 2007 or 2006 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

5. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance

coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

6. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission of Miller County, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Miller County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Miller County, Missouri's basic financial statements and have issued our report thereon dated July 12, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered County of Miller, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Miller, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Miller, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Miller, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles in the United States of America such that there is more than a remote likelihood that a misstatement of the County of Miller, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the County of Miller, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Miller, Missouri's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described as item 1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Miller, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and that is identified in the findings and recommendations section as item 4.

We noted a matter that we reported to management of Miller County, Missouri, in the findings and recommendations section as item number 5.

Miller County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Miller County, Missouri's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 12, 2008

FINDINGS AND RECOMMENDATIONS

MILLER COUNTY, MISSOURI
Findings and Recommendations

MATERIAL WEAKNESS IN INTERNAL CONTROL

1. Collector's Tax Maintenance Fund

Condition: The Collector did not maintain accounting records for the Collector's Tax Maintenance Fund. Further, there was no reconciliation of the bank account for this fund. Thus errors, whether inadvertent, intentional or bank-initiated, could occur and remain undetected. Other than the requirement that two signatures are required on checks, there are no basic internal controls over expenditures from this fund.

Recommendation: We recommend the Collector maintain accounting records for the Collector's Tax Maintenance Fund. In addition, the Fund's bank account should be reconciled and the reconciliation should be performed or reviewed in detail by someone who does not have check signing authority. These procedures will provide assurance that the Collector has an adequate system of internal controls over the Fund's assets.

County's Response: "A copy of the bill and the check stub are kept together in a file. We are working on a program to set up an accounting report for all accounts. The bank statements are reconciled with our computer program monthly."

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

2. Reconciling Cash Balances

Condition: Reconciliations of cash balances between the records of the County Clerk and the County Treasurer were incomplete. For the year ended December 31, 2006, there were differences for the General Revenue, Special Road and Bridge and Prosecuting Attorney Bad Check funds of \$900, \$1,125 and \$105, respectively. At December 31, 2007, there were differences for the General Revenue and Special Road and Bridge funds of \$2,218 and \$1,166, respectively.

The Treasurer's Office experienced personnel turnover during the period under audit which may have contributed to this situation.

Recommendation: We recommend the County Clerk and Treasurer ensure that cash balances are fully reconciled monthly. This system of checks and balances is provided for in the State Statutes and is one of the principal internal controls the County has to ensure the safeguarding and proper recording of County monies.

County's Response: "Everything is balanced! The difference between the County Clerk and the Treasurer's records were due to corrections made during the year end close out. The Treasurer switched over to a new system in January and the corrections did not transfer from the old system to the new. The differences have been corrected and the County Clerk's records and Treasurer's records are in balance as of 7/31/2008."

3. Property Taxes

Condition: Documentation was not available to verify that the County Clerk maintains records to summarize property tax transactions and uses those records to verify the County Collector's monthly or annual settlements.

Recommendation: We suggest that the County Clerk maintain records to facilitate verification

of the completeness and accuracy of amounts of taxes charged and credited to the County Collector each year and to verify the accuracy of the County Collector's monthly and annual settlements.

County's Response: "I have no idea what you are talking about! But the County Clerk will try!"

ITEMS OF NONCOMPLIANCE

4. Budgetary Practices

Condition: Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2007	2006
General Fund Total	\$ 142,085	108,405
Special Road & Bridge	428,771	N/A
Assessment	6,980	N/A
Prosecuting Attorney	377	N/A
Law Enforcement Training	N/A	6,638
911	52,586	105,390
Capital Improvement	176,783	296,419
Sheriff	26,446	N/A
House Bill 786	1,946	N/A
Criminal Forfeiture	4,047	N/A
D.A.R.E.	2,774	1,164
W-12 Construction	3,174	N/A
W-15C NID	12,413	N/A
Post Commission	2,420	N/A
Oak Terrace NID	77,318	N/A
Port Bagnell Road NID	N/A	64,528
FEMA Disaster	N/A	58,105
Norman Road NID	N/A	184,180

Strict compliance with county budget law is required by county officials. Such compliance helps ensure that County funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved. The County Commissioners indicated that budget to actual reports are monitored and reviewed.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: "The Commission will comply."

OTHER MATTERS

In planning and performing our audit of the financial statements of Miller County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a matter that is an opportunity to strengthen internal controls and operating efficiency. Our comment regarding this matter is summarized below.

5. Old Outstanding Checks

Condition: The Treasurer's bank reconciliation at December 31, 2007 included 23 checks totaling \$1,155 that were outstanding between one and three years. Nine of the checks were included as outstanding checks on the December 31, 2005 reconciliation. A similar condition was noted on the December 31, 2006 bank reconciliation.

Recommendation: We recommend the Treasurer properly void all stale-dated outstanding checks which will more correctly state available cash balances and facilitate the bank reconciliation process.

County's Response: "The checks as discussed with auditors were from previous Treasurer's term. All unclaimed money has been turned over to the State Treasurer's Office as of May 2008."

MILLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

1. In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Miller County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.
2. Actual disbursements exceeded budgeted amounts for several funds. See finding No. 4.

Status- Not implemented.

3. Numerous control weaknesses were noted related to the Sheriff's general account which is used to process various fees. Cash custody and record keeping are not adequately segregated.

Status- Implemented.

4. The financial condition of the Jail Fund and the Special Road and Bridge Fund has declined which could have an effect on the General Revenue Fund.

Status- Implemented.

5. Salary commission meeting minutes were not maintained for the 2005 meeting and salary increase approved for some officials did not appear to comply with state law. Some time sheets were not turned in to the County Commission in a timely manner and some procedures performed by the county do not comply with personnel policies.

Status- Implemented.

6. Property tax system procedures and controls are not sufficient. See finding No. 3.

Status- Not implemented.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Hickory County, Missouri

The Office of the State Auditor, in cooperation with Hickory County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-79

HICKORY COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

HICKORY COUNTY, MISSOURI
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INTRODUCTORY SECTION

HICKORY COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Kent Parson

Associate Commissioner – Robert Breshears

Associate Commissioner – Garry Warren

Other Elected Officials

Assessor – Kay Chilton

Circuit Clerk / Recorder – Cee Cee Smith

Collector – Stanley McCoy

Coroner – Connie Boller

County Clerk – Jeanne Lindsey

Prosecuting Attorney – James Hackett

Public Administrator – Rhonda Hargiss

Sheriff – Raymond Tipton

Treasurer – Shirley Reno

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Hickory County, Missouri

We have audited the accompanying financial statements of Hickory County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Hickory County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hickory County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Hickory County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 29, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hickory County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates

July 29, 2008

FINANCIAL SECTION

HICKORY COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 498,209	1,375,272	1,472,687	400,794	1,473,462	1,438,192	436,064
Special Road and Bridge	190,315	1,548,524	1,556,368	182,471	1,465,768	1,507,462	140,777
Assessment	14,532	146,362	144,147	16,747	154,577	153,108	18,216
Law Enforcement Training	615	1,758	1,473	900	1,394	1,686	608
Prosecuting Attorney Training	1,015	444	436	1,023	346	436	933
Recorder User	42,377	10,650	6,575	46,452	10,999	3,906	53,545
Law Enforcement Drug	1,714	41	529	1,226	12	1,174	64
Prosecuting Attorney Bad Check	9,885	10,455	12,686	7,654	6,288	6,304	7,638
Children's Trust	420	235	400	255	228	250	233
P.O.S.T	2,624	698	698	2,624	877	877	2,624
Sheriff Special	7,456	8,477	7,070	8,863	15,809	7,107	17,565
John Sally Trust	52,894	1,815	-	54,709	1,841	-	56,550
Prosecuting Attorney Delinquent Tax	-	-	-	-	1,499	-	1,499
Elections Services	18,400	115,673	119,866	14,207	5,664	10,718	9,153
Tax Maintenance	25,867	10,888	300	36,455	12,801	2,392	46,864
Capital Projects	111,533	125,988	-	237,521	129,025	-	366,546
Passport	1,020	2,580	-	3,600	4,890	2,975	5,515
Sheriffs Revolving	-	-	-	-	6,246	5	6,241
County Law Enforcement Restitution	-	-	-	-	95	-	95
Total	\$ 978,876	3,359,860	3,323,235	1,015,501	3,291,821	3,136,592	1,170,730

The accompanying Notes to the Financial Statements are an integral part of this statement.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	GENERAL FUND			
	Year Ended December 31,			
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 162,225	157,811	146,803	158,896
Sales taxes	811,247	816,835	835,866	871,125
Intergovernmental	131,577	136,086	136,441	156,831
Charges for services	168,535	175,953	160,204	174,661
Interest	20,673	21,787	21,337	21,139
Other	54,600	52,800	28,850	33,005
Transfers in	14,730	14,000	57,805	57,805
Total Receipts	<u>1,363,587</u>	<u>1,375,272</u>	<u>1,387,306</u>	<u>1,473,462</u>
DISBURSEMENTS				
County Commission	73,310	72,728	74,270	72,885
County Clerk	68,927	66,457	66,397	61,505
Elections	53,777	48,577	34,915	31,025
Buildings and grounds	107,690	99,663	117,035	72,497
Employee fringe benefits	130,454	129,104	141,551	125,619
County Treasurer	27,949	27,103	35,750	35,472
Recorder of Deeds	30,027	28,482	31,115	29,073
Collector	72,119	69,408	73,270	72,735
Associate Circuit Court (Probate)	6,250	5,189	9,700	9,602
Court administration	16,130	10,920	16,246	8,251
Public Administrator	24,750	23,576	24,050	23,448
Sheriff	455,290	452,651	507,349	497,346
Jail	44,780	34,323	38,360	32,472
Prosecuting Attorney	72,474	69,222	73,114	67,860
Juvenile Officer	14,623	13,724	14,892	14,544
Coroner	14,130	13,934	16,330	12,457
Other general revenue	136,301	109,626	127,836	109,767
Transfers out	198,000	198,000	148,000	148,000
Emergency fund	50,000	-	42,000	13,634
Total Disbursements	<u>1,596,981</u>	<u>1,472,687</u>	<u>1,592,180</u>	<u>1,438,192</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(233,394)	(97,415)	(204,874)	35,270
CASH, JANUARY 1	<u>498,209</u>	<u>498,209</u>	<u>400,794</u>	<u>400,794</u>
CASH, DECEMBER 31	<u>\$ 264,815</u>	<u>400,794</u>	<u>195,920</u>	<u>436,064</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 218,210	216,338	224,650	236,037	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,053,798	943,406	574,153	864,139	111,056	107,081	107,113	114,751
Charges for services	-	-	-	-	1,000	430	500	1,094
Interest	7,500	8,780	8,240	8,532	695	851	778	732
Other	330,000	330,000	1,000	357,060	-	-	-	-
Transfers in	50,000	50,000	-	-	38,000	38,000	38,000	38,000
Total Receipts	1,659,508	1,548,524	808,043	1,465,768	150,751	146,362	146,391	154,577
DISBURSEMENTS								
Salaries	253,445	252,784	267,214	261,432	105,510	104,400	108,218	108,219
Employee fringe benefits	57,466	56,322	59,781	56,528	20,747	18,323	21,087	20,235
Materials and Supplies	247,915	238,482	240,733	205,835	5,230	5,349	9,960	9,142
Services and Other	440,755	433,850	129,455	62,841	19,130	6,875	16,350	6,312
Capital Outlay	192,423	57,688	151,051	141,470	-	-	-	-
Construction	610,024	503,242	893,317	721,551	-	-	-	-
Transfers out	14,000	14,000	5,000	57,805	-	9,200	-	9,200
Total Disbursements	1,816,028	1,556,368	1,746,551	1,507,462	150,617	144,147	155,615	153,108
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(156,520)	(7,844)	(938,508)	(41,694)	134	2,215	(9,224)	1,469
CASH, JANUARY 1	190,315	190,315	182,471	182,471	14,532	14,532	16,747	16,747
CASH, DECEMBER 31	\$ 33,795	182,471	(756,037)	140,777	14,666	16,747	7,523	18,216

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,850	1,758	1,500	1,394	300	444	380	346
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,850	1,758	1,500	1,394	300	444	380	346
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,700	1,473	1,700	1,686	500	436	450	436
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,700	1,473	1,700	1,686	500	436	450	436
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	150	285	(200)	(292)	(200)	8	(70)	(90)
CASH, JANUARY 1	615	615	900	900	1,015	1,015	1,023	1,023
CASH, DECEMBER 31	\$ 765	900	700	608	815	1,023	953	933

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	RECORDER USER FUND				LAW ENFORCEMENT DRUG FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	9,300	8,991	8,000	9,059	-	-	-	-
Interest	1,546	1,659	1,400	1,940	34	41	20	12
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	10,846	10,650	9,400	10,999	34	41	20	12
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	15,000	6,575	11,000	561	1,748	529	1,226	1,174
Services and Other	-	-	4,000	3,345	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	15,000	6,575	15,000	3,906	1,748	529	1,226	1,174
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(4,154)	4,075	(5,600)	7,093	(1,714)	(488)	(1,206)	(1,162)
CASH, JANUARY 1	42,377	42,377	46,452	46,452	1,714	1,714	1,226	1,226
CASH, DECEMBER 31	\$ 38,223	46,452	40,852	53,545	-	1,226	20	64

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	PROSECUTING ATTORNEY BAD CHECK FUND				CHILDRENS TRUST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,093	-	-	-	-	-	-	-
Charges for services	5,473	10,150	7,448	5,930	230	215	200	215
Interest	298	305	303	358	11	20	20	13
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	7,864	10,455	7,751	6,288	241	235	220	228
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	7,000	12,686	15,368	6,304	-	-	-	-
Services and Other	10,663	-	-	-	400	400	250	250
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	17,663	12,686	15,368	6,304	400	400	250	250
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(9,799)	(2,231)	(7,617)	(16)	(159)	(165)	(30)	(22)
CASH, JANUARY 1	9,885	9,885	7,654	7,654	420	420	255	255
CASH, DECEMBER 31	\$ 86	7,654	37	7,638	261	255	225	233

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	P.O.S.T. FUND				SHERIFF SPECIAL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	698	698	800	877	-	-	-	-
Charges for services	-	-	-	-	9,099	8,477	9,000	13,512
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,297
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	698	698	800	877	9,099	8,477	9,000	15,809
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	16,500	7,070	12,000	7,107
Services and Other	698	698	2,400	877	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	698	698	2,400	877	16,500	7,070	12,000	7,107
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	(1,600)	-	(7,401)	1,407	(3,000)	8,702
CASH, JANUARY 1	2,624	2,624	2,624	2,624	7,456	7,456	8,863	8,863
CASH, DECEMBER 31	\$ 2,624	2,624	1,024	2,624	55	8,863	5,863	17,565

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	JOHN SALLY TRUST FUND				PROSECUTING ATTORNEY DELINQUENT TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	1,469
Interest	1,500	1,815	1,600	1,841				30
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,500	1,815	1,600	1,841	-	-	-	1,499
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	5,000	-	10,000	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	5,000	-	10,000	-	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(3,500)	1,815	(8,400)	1,841	-	-	-	1,499
CASH, JANUARY 1	52,894	52,894	54,709	54,709			-	-
CASH, DECEMBER 31	\$ 49,394	54,709	46,309	56,550	-	-	-	1,499

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	ELECTIONS SERVICES FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	9,500	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	112,850	113,322	-	2,720	-	-	-	-
Charges for services	2,150	1,567	350	1,807	-	9,644	9,500	11,042
Interest	850	784	280	601	844	1,244	1,241	1,759
Other	125	-	-	536	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	115,975	115,673	630	5,664	10,344	10,888	10,741	12,801
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	123,072	117,838	-	-	33,652	-	5,000	2,092
Services and Other	2,000	2,028	14,909	10,718	2,000	300	300	300
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	125,072	119,866	14,909	10,718	35,652	300	5,300	2,392
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(9,097)	(4,193)	(14,279)	(5,054)	(25,308)	10,588	5,441	10,409
CASH, JANUARY 1	18,400	18,400	14,207	14,207	25,867	25,867	36,455	36,455
CASH, DECEMBER 31	\$ 9,303	14,207	(72)	9,153	559	36,455	41,896	46,864

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

	CAPITAL PROJECTS FUND				PASSPORT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,010	2,580	2,500	4,890
Interest	7,098	6,788	6,761	9,825	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	119,200	119,200	119,200	119,200	-	-	-	-
Total Receipts	126,298	125,988	125,961	129,025	2,010	2,580	2,500	4,890
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	4,000	2,975
Services and Other	-	-	50,000	-	500	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	50,000	-	500	-	4,000	2,975
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	126,298	125,988	75,961	129,025	1,510	2,580	(1,500)	1,915
CASH, JANUARY 1	111,533	111,533	237,521	237,521	1,020	1,020	3,600	3,600
CASH, DECEMBER 31	\$ 237,831	237,521	313,482	366,546	2,530	3,600	2,100	5,515

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2006 AND 2007

	SHERIFFS REVOLVING FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	6,092	-	-	-	95
Interest	-	-	-	154	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	6,246	-	-	-	95
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	4,000	5	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	4,000	5	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	(4,000)	6,241	-	-	-	95
CASH, JANUARY 1	-	-	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	-	(4,000)	6,241	-	-	-	95
RECEIPTS OVER (UNDER)								

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
 STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
 AGENCY FUNDS - REGULATORY BASIS
 DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
School Fund	\$ 13,665	13,665	11,381	11,381
Unclaimed Fees	-	-	43	43
Overplus Land	28,076	28,076	15,437	15,437
County Employees' Retirement Fund	3,507	3,507	3,531	3,531
Collector	2,827,534	2,827,534	2,612,837	2,612,837
Total	<u>\$ 2,872,782</u>	<u>2,872,782</u>	<u>2,643,229</u>	<u>2,643,229</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HICKORY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hickory County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff and Treasurer.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Hickory County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the following funds:
 - a. Prosecuting Attorney Delinquent Tax
 - b. Sheriff's Revolving
 - c. County Law Enforcement Restitution

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures did not exceed budgeted amounts for any funds.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 71,055,930	58,369,230
Personal Property	24,417,860	22,910,310
Railroad and Utilities	6,996,715	7,208,002

During 2007 and 2006 the County Commission approved tax levies for General Revenue and Road and Bridge funds that are valued at \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.1845</u>	<u>\$0.1629</u>
Road & Bridge Fund	<u>\$0.2346</u>	<u>\$0.2549</u>

- F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$4,043,512 and \$3,658,730 the bank balance was \$3,309,536 and \$3,016,800, respectively. Of the bank balance \$201,251 and \$202,551 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$3,108,285 and \$2,814,249, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$113,474 and \$104,967, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with sick leave that is accumulated at the rate of one day per complete calendar month of employment. An unlimited amount of sick leave may be carried over from one year to the next. Upon termination, unused sick leave will be forfeited. Vacation time is accrued for every full time employee, and accrues at the rate of 5 days per year to 15 days per year depending on length of employment. Employees may not accumulate vacation leave balances from one year to the next.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool. The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

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McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission of Hickory County, Missouri

We have audited the accompanying financial statements of Hickory County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Hickory County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hickory County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hickory County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hickory County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles in the United States of America such that there is more than a remote likelihood that a misstatement of the Hickory County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Hickory County, Missouri's internal control. We consider the deficiencies described in the findings and recommendations as items 1 and 2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hickory County, Missouri's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hickory County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is identified as item 3.

We noted one matter that we reported to management of Hickory County, Missouri, in the Findings and Recommendations section as item 4.

Hickory County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Hickory County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

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AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Hickory County, Missouri:

Compliance

We have audited the compliance of Hickory County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Hickory County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hickory County, Missouri's management. Our responsibility is to express an opinion on Hickory County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hickory County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Hickory County, Missouri's compliance with those requirements.

In our opinion, Hickory County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Hickory County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Hickory County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hickory County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

HICKORY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	<u>Federal Expenditures</u> <u>Years ended December 31,</u>	
			2007	2006
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through State of Missouri:			
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO 1640810	\$ 4,969	7,297
	Total for U.S. Department of Housing and Urban Development		<u>4,969</u>	<u>7,297</u>
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through State of Missouri:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO - BO43 (4)	-	280,779
		BRO - BO43 (6)	140,413	7,678
		BRO - BO43 (5)	276,440	11,729
		BRO - BO43 (7)	230,940	8,226
	Total for U.S. Department of Transportation		<u>647,792</u>	<u>308,410</u>
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Office of Missouri Secretary of State -			
90.401	Help America Vote Act Requirements Payments		<u>2,720</u>	<u>113,322</u>
	Total for Election Assistance Commission		<u>2,720</u>	<u>113,322</u>
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through Missouri Department of Public Safety:			
97.036	Public Assistance Grants (Presidentially declared disasters)		9,195	-
97.042	Emergency Management Performance Grants		3,200	3,067
97.067	Homeland Security Grant Program		<u>32,250</u>	<u>-</u>
	Total for U.S. Department of Homeland Security		<u>44,645</u>	<u>3,067</u>
	Total Expenditures of Federal Awards		<u>\$ 700,126</u>	<u>432,096</u>

See accompany notes to Schedule of Expenditures of Federal Awards.

HICKORY COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

HICKORY COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

See Findings 1 and 2.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to Federal Awards for the two years ended December 31, 2005.

FINDINGS AND RECOMMENDATIONS

HICKORY COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Timesheet Authorization

Condition: Timesheets should be properly authorized by having both the employee and the supervisor sign the timesheet. This procedure decreases the chance of error on the timesheet such as too many hours recorded or misuse of vacation and sick pay. Of the four employees tested, there were three employees whose timesheets were not all properly signed by the employee and the supervisor.

Recommendation: We recommend all timesheets be properly authorized by both the employee and the supervisor in order to decrease the likelihood of error or improper payment.

County's Response: It is County policy that all time sheets be signed by both the employee and supervisor for each department. I will, upon your recommendation send out a memo to each employee and supervisor to double check signature lines on time sheets before submitting them. I will also advise my Deputy Clerk to double check for signatures before processing payroll and return any unsigned timesheets to the department supervisor.

2. County Clerk's Purchase Authorization

Condition: County policy requires, as approval for purchases, two signatures; one from the department head requesting the purchase and the other from the Presiding Commissioner. Of the invoices inspected by the auditors, all had been signed by the Presiding Commissioner and approved. However, there were four invoices that were not properly approved by the department head.

Recommendation: We recommend that the approval procedures set forth by the County be followed. Both the Presiding Commissioner and the department head should properly authorize purchases, so that each department head is held accountable for his purchases and to decrease the likelihood that unauthorized or improper purchases occur.

County's Response: County's Response: Agree with recommendation. It is County policy that invoices be approved by the department head and Presiding Commissioner. The County Clerk will send out a memo reminding all department heads of County procedure concerning invoices and advise Deputy Clerk in charge of accounts payable to double check invoices for signatures and return any with missing signature before payment is made.

ITEM OF NONCOMPLIANCE

3. Lack of Investment Policy

Condition: The County has not adopted an investment policy. Investment policies are

established to ensure that investments made by the County appropriately commit the County to the principles of safety, liquidity, and yield when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. RSMo 30.950 requires political subdivision with authority to invest in instruments other than depository accounts to have an investment policy.

Recommendation: We suggest that the County Commission adopt an investment policy in accordance with RSMo 30.950.

County Response: The County will take the issue under advisement.

OTHER MATTERS

In planning and performing our audit of the financial statements of Hickory County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. Our comments and suggestion regarding this matter are summarized below. We previously reported on the County's internal control in our report dated July 29, 2008. (A separate report dated July 29, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 29, 2008.

4. Documentation in Personnel Files

Condition: Personnel files should contain W-4, payroll authorization, employment forms, and personnel reviews. Out of the four employees we tested, two employees did not have documentation confirming their current authorized salary. This documentation provides a reference for any questions or concerns that may arise. The County Clerk is responsible for placing current payroll authorization forms in the personnel file.

Recommendation: We recommend that the County Clerk's Office properly place the payroll authorization forms in the personnel file in order to ensure accurate salaries are paid to each employee.

County's Response: I agree with recommendation and will update each employee file to include current payroll authorization forms.

HICKORY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Hickory County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

The County did not always solicit bids, or bid documentation was not always retained for some purchases. Controls over fuel usage in the Sheriff's Office and the Road and Bridge department need improvement. Form 1099 Miscellaneous was not always prepared when applicable. The County did not always enter into contracts when appropriate.

Status: *Implemented*



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Barton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Barton County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-78

BARTON COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

BARTON COUNTY, MISSOURI
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INTRODUCTORY SECTION

BARTON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Mike Davis
Associate Commissioner – John Stockdale
Associate Commissioner – Dennis Wilson

Other Elected Officials

Assessor – Ivan Frieden
Circuit Clerk -- Janet Maupin
Recorder – Kathleen Dimond
Collector /Treasurer – Frances Cato
Coroner – C. Tucker Joustra
County Clerk – Kristina Crockett
Prosecuting Attorney – Steven Kaderly
Public Administrator – Teresa Achey- Moore
Sheriff – Shannon Higgins

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and Officeholders of Barton County, Missouri

We have audited the accompanying financial statements of Barton County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, Barton County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Barton County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the governmental and agency funds of Barton County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 29, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barton County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

FINANCIAL SECTION

BARTON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash January 1 2006 (restated)	Receipts 2006	Disbursements 2006	Cash December 31 2006	Receipts 2007	Disbursements 2007	Cash December 31 2007
General Revenue	\$ 373,608	939,949	968,119	345,438	976,670	927,788	394,320
Special Road and Bridge	856,534	1,065,126	894,177	1,027,483	845,875	591,080	1,282,278
Assessment	2	179,523	179,513	12	146,146	146,152	6
Collector's Tax Maintenance	20,565	9,596	18,289	11,872	10,466	5,397	16,941
Recorders	56,699	9,884	10,359	56,224	9,428	9,083	56,569
Prosecuting Attorney Bad Check	26,488	11,407	9,595	28,300	13,272	7,573	33,999
Law Enforcement Sales Tax	68,707	757,854	786,707	39,854	823,344	863,353	(155)
Prosecuting Attorney Training	1,336	645	1,274	707	630	1,170	167
Law Enforcement Training	1,742	3,513	4,810	445	5,764	5,608	601
Petty Cash	200	926	926	200	1,015	1,015	200
Local Emergency Planning Committee	-	3,884	1,439	2,445	4,075	3,746	2,774
Election	22,205	166,021	185,035	3,191	6,075	3,914	5,352
911 Emergency Service	378,327	101,629	51,677	428,279	134,755	116,062	446,972
Local Use Sales Tax	68,468	2,676	12,375	58,769	2,584	2,456	58,897
Crisis Intervention	549	218	-	767	-	-	767
Noxious Weed	4,932	-	-	4,932	-	-	4,932
Sheriffs Discretionary	-	23,545	-	23,545	54,019	70,803	6,761
Total	\$ 1,880,362	3,276,396	3,124,295	2,032,463	3,034,118	2,755,200	2,311,381

The accompanying Notes to the Financial Statements are an integral part of this statement.

BARTON COUNTY, Missouri
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

GENERAL FUND Year Ended December 31,				
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 91,000	98,538	100,000	104,190
Sales taxes	530,500	509,358	516,000	531,494
Intergovernmental	55,430	43,181	41,775	37,556
Charges for services	230,780	207,897	343,800	227,143
Interest	10,000	20,054	20,000	21,912
Other	10,250	13,061	42,180	21,918
Transfers in	43,400	47,860	30,060	32,457
Total Receipts	<u>971,360</u>	<u>939,949</u>	<u>1,093,815</u>	<u>976,670</u>
DISBURSEMENTS				
County Commission	100,150	98,978	106,880	107,138
County Clerk	74,815	71,164	70,100	69,582
Elections	139,860	76,593	55,680	46,592
Buildings and grounds	285,000	95,445	393,500	89,526
Employee fringe benefits	91,700	84,885	99,000	87,875
Collector / Treasurer	92,860	92,366	120,425	106,397
Recorder of Deeds	68,490	64,942	69,400	66,324
Circuit Clerk	12,900	12,290	19,200	14,130
Court administration	21,305	13,042	21,290	14,441
Public Administrator	57,531	41,727	51,201	54,444
Jail	10,000	15,239	-	-
Prosecuting Attorney	101,275	96,866	105,255	99,006
Juvenile Officer	18,595	19,824	24,525	19,460
Other general revenue	148,550	151,099	162,075	130,673
Health and welfare	10,250	11,559	16,045	15,110
Transfers out	55,020	22,100	49,584	7,090
Emergency fund	33,380	-	33,000	-
Total Disbursements	<u>1,321,681</u>	<u>968,119</u>	<u>1,397,160</u>	<u>927,788</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(350,321)	(28,170)	(303,345)	48,882
CASH, JANUARY 1	373,608	373,608	345,438	345,438
CASH, DECEMBER 31	<u>\$ 23,287</u>	<u>345,438</u>	<u>42,093</u>	<u>394,320</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	978,000	1,024,842	1,159,900	793,230	134,500	156,401	143,150	137,749
Charges for services	-	-	-	-	-	-	-	-
Interest	23,000	37,981	40,000	50,486	450	853	900	1,239
Other	1,700	2,303	1,900	2,159	305	169	154	68
Transfers in	-	-	-	-	55,020	22,100	47,784	7,090
Total Receipts	1,002,700	1,065,126	1,201,800	845,875	190,275	179,523	191,988	146,146
DISBURSEMENTS								
Salaries	160,025	123,020	152,640	132,825	114,960	115,126	113,400	101,021
Employee fringe benefits	44,350	26,394	46,350	28,698	23,300	28,029	28,700	20,902
Materials and Supplies	507,800	231,911	522,300	198,130	24,000	12,878	22,900	10,986
Services and Other	520,300	472,839	563,800	171,702	28,000	23,480	27,000	13,243
Capital Outlay	77,500	1,516	78,500	25,511	-	-	-	-
Construction	370,000	12,097	371,000	7,154	-	-	-	-
Transfers out	126,400	26,400	327,060	27,060	-	-	-	-
Total Disbursements	1,806,375	894,177	2,061,650	591,080	190,260	179,513	192,000	146,152
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(803,675)	170,949	(859,850)	254,795	15	10	(12)	(6)
CASH, JANUARY 1	856,534	856,534	1,027,483	1,027,483	2	2	12	12
CASH, DECEMBER 31	\$ 52,859	1,027,483	167,633	1,282,278	17	12	-	6

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	COLLECTOR'S TAX MAINTENANCE FUND				RECORDER'S			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	8,000	7,412	8,000	6,878
Charges for services	-	-	-	-	-	-	-	-
Interest	250	682	500	744	1,350	2,472	2,000	2,550
Other	8,500	8,914	9,500	9,722	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	8,750	9,596	10,000	10,466	9,350	9,884	10,000	9,428
DISBURSEMENTS								
Salaries	2,000	1,198	2,000	-	-	599	-	-
Employee fringe benefits	-	91	-	-	-	46	-	-
Materials and Supplies	-	-	-	-	44,358	665	44,308	294
Services and Other	-	-	5,000	-	11,642	9,049	11,692	8,789
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	17,000	17,000	3,000	5,397	-	-	-	-
Total Disbursements	19,000	18,289	10,000	5,397	56,000	10,359	56,000	9,083
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(10,250)	(8,693)	-	5,069	(46,650)	(475)	(46,000)	345
CASH, JANUARY 1	20,565	20,565	11,872	11,872	56,699	56,699	56,224	56,224
CASH, DECEMBER 31	\$ 10,315	11,872	11,872	16,941	10,049	56,224	10,224	56,569

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY BAD CHECK FUND				LAW ENFORCEMENT SALES TAX			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	535,000	508,662	517,864	530,053
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,000	10,133	9,500	10,282	204,400	214,474	226,261	255,174
Interest	600	1,274	1,250	1,303	3,500	5,368	5,368	4,580
Other	-	-	-	1,687	29,350	29,350	26,526	17,337
Transfers in	-	-	-	-	-	-	8,000	16,200
Total Receipts	1,600	11,407	10,750	13,272	772,250	757,854	784,019	823,344
DISBURSEMENTS								
Salaries	-	-	-	-	387,127	381,456	394,137	400,661
Employee fringe benefits	-	-	-	-	110,300	121,609	131,275	129,372
Materials and Supplies	13,500	9,595	13,500	7,573	84,800	101,949	88,200	125,870
Services and Other	3,000	-	3,000	-	198,905	180,675	205,260	206,814
Capital Outlay	-	-	-	-	55,000	1,018	5,000	636
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	16,500	9,595	16,500	7,573	836,132	786,707	823,872	863,353
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(14,900)	1,812	(5,750)	5,699	(63,882)	(28,853)	(39,853)	(40,009)
CASH, JANUARY 1	26,488	26,488	28,300	28,300	68,707	68,707	39,854	39,854
CASH, DECEMBER 31	\$ 11,588	28,300	22,550	33,999	4,825	39,854	1	(155)

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	475	601	725	608	2,500	2,389	2,900	2,416
Interest	40	44	50	22	80	45	50	18
Other	-	-	-	-	1,000	1,079	1,000	1,505
Transfers in	-	-	-	-	-	-	-	1,825
Total Receipts	515	645	775	630	3,580	3,513	3,950	5,764
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	100	50	100	50	500	-	1,000	1,000
Services and Other	1,700	1,224	1,375	1,120	4,800	4,810	3,300	4,608
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	1,800	1,274	1,475	1,170	5,300	4,810	4,300	5,608
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,285)	(629)	(700)	(540)	(1,720)	(1,297)	(350)	156
CASH, JANUARY 1	1,336	1,336	707	707	1,742	1,742	445	445
CASH, DECEMBER 31	\$ 51	707	7	167	22	445	95	601

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PETTY CASH FUND				LEPC GRANT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	650	926	1,200	1,015	5,540	3,884	3,854	4,075
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	650	926	1,200	1,015	5,540	3,884	3,854	4,075
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	650	926	1,200	1,015	1,300	450	1,650	1,992
Services and Other	-	-	-	-	1,340	989	1,900	1,754
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	650	926	1,200	1,015	2,640	1,439	3,550	3,746
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	-	-	-	2,900	2,445	304	329
CASH, JANUARY 1	200	200	200	200	-	-	2,445	2,445
CASH, DECEMBER 31	\$ 200	200	200	200	2,900	2,445	2,749	2,774

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION FUND				911 EMERGENCY SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	164,500	165,621	2,500	1,692	100,850	84,533	80,800	115,202
Interest	200	321	200	261	10,000	17,096	15,000	19,553
Other	1,000	79	-	4,122	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	165,700	166,021	2,700	6,075	110,850	101,629	95,800	134,755
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	162,100	177,550	3,500	2,692	259,510	6,210	294,513	72,955
Services and Other	500	3,025	500	1,222	190,490	45,467	183,350	43,107
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,000	4,460	1,500	-	10,000	-	-	-
Total Disbursements	163,600	185,035	5,500	3,914	460,000	51,677	477,863	116,062
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	2,100	(19,014)	(2,800)	2,161	(349,150)	49,952	(382,063)	18,693
CASH, JANUARY 1	22,205	22,205	3,191	3,191	378,327	378,327	428,279	428,279
CASH, DECEMBER 31	\$ 24,305	3,191	391	5,352	29,177	428,279	46,216	446,972

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LOCAL USE SALES TAX FUND				CRISIS INTERVENTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,000	218	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,500	2,676	3,000	2,584	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	1,500	2,676	3,000	2,584	1,000	218	-	-
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	15,000	-	11,000	2,456	-	-	-	-
Services and Other	50,000	12,375	50,000	-	1,500	-	700	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	3,000	-	-	-	-	-	-	-
Total Disbursements	68,000	12,375	61,000	2,456	1,500	-	700	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(66,500)	(9,699)	(58,000)	128	(500)	218	(700)	-
CASH, JANUARY 1	68,468	68,468	58,769	58,769	549	549	767	767
CASH, DECEMBER 31	\$ 1,968	58,769	769	58,897	49	767	67	767

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	NOXIOUS WEED FUND				SHERIFFS DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$	-	-	-	-	-	-	-
Sales taxes		-	-	-	-	-	-	-
Intergovernmental		-	-	-	-	-	-	-
Charges for services		-	-	-	-	23,545	23,000	26,420
Interest		-	-	-	-	-	-	27,599
Other		-	-	-	-	-	-	-
Transfers in		-	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	23,545	23,000	54,019
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	6,894
Services and Other	4,925	-	4,930	-	-	-	9,000	45,884
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	8,000	18,025
Total Disbursements	4,925	-	4,930	-	-	-	17,000	70,803
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(4,925)	-	(4,930)	-	-	23,545	6,000	(16,784)
CASH, JANUARY 1	4,932	4,932	4,932	4,932	-	-	23,545	23,545
CASH, DECEMBER 31	\$ 7	4,932	2	4,932	-	23,545	29,545	6,761

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

	December 31, 2007		December 31, 2006	
	Cash and Equivalents	Due to Others	Cash and Equivalents	Due to Others
<u>AGENCY FUNDS</u>				
County Employees' Retirement Fund	\$ 3,196	3,196	2,420	2,420
Collector	6,338,472	6,338,472	1,076,190	1,076,190
Common School	85,244	85,244	92,172	92,172
Criminal Cost	7,376	7,376	-	-
Overplus Tax	51	51	2,188	2,188
Surtax	8,540	8,540	10,109	10,109
State Tax	-	-	5,546	5,546
Unclaimed Fees	462	462	436	436
Total	\$ 6,443,341	6,443,341	1,189,061	1,189,061

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Barton County, Missouri ("County"), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Collector/Treasurer, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Barton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting

differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. However, the following funds have exceeded the budgeted amounts approved by the Commission:

<u>Fund</u>	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Petty Cash	\$ N/A	276
Local Emergency Planning Committee	196	N/A
Election	N/A	21,435
Law Enforcement Sales Tax	39,481	N/A
Law Enforcement Training	1,308	N/A
Sheriff's Discretionary	53,803	N/A

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year. The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 100,233,050	92,684,510
Personal Property	59,346,380	57,130,816
Railroad and Utilities	14,644,742	14,605,657

During 2007 and 2006 the County Commission approved a \$0.0500 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	<u>\$0.0500</u>	<u>\$0.0500</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by substantially all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash" under each fund's caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$8,754,722 and \$3,221,524, respectively, and the bank balance was \$6,386,119 and \$2,886,560, respectively. Of the bank balances, \$208,582, and \$224,266 at December 31, 2007 and December 31, 2006, respectively were covered by federal depository insurance and \$6,177,537 and \$2,662,294, respectively, were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND – CERF

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$69,988 and \$59,454, respectively, for the years then ended, equal to the required contributions.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 30 days of sick time – to accrue at one day per complete calendar month of employment up to 30 days. Upon termination, the employee will not be compensated for accumulated sick leave. Vacation time is accrued for every full time employee, and accrues at the rate of one day per month up to one and one-fourth days depending on length of employment. Employees may accrue up to fifteen days worth of vacation credits, the number of which depends on the length of service. The personnel manual does specify, upon termination, the amount of vacation time to be compensated to the employee.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and

employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and Officeholders of Barton County, Missouri

We have audited the accompanying financial statements of Barton County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Barton County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barton County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barton County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Barton County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Barton County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the Barton County, Missouri's internal control. We consider the deficiencies described in the Findings and Recommendations section as items 1 through 5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Barton County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barton County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted one matter that we reported to management of Barton County, Missouri, in the findings and recommendations section as item 6.

Barton County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Barton County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

McBRIDE, LOCK & ASSOCIATES

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission of Barton County, Missouri

Compliance

We have audited the compliance of Barton County, Missouri, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. Barton County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Barton County, Missouri's management. Our responsibility is to express an opinion on Barton County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barton County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of Barton County, Missouri's compliance with those requirements.

In our opinion, Barton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Barton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered Barton County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Barton County, Missouri's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
July 29, 2008

BARTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2006 and 2007

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2007	2006
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through State of Missouri			
	Department of Economic Development -			
14.228	Community Development Block Grants/State's Program	2004-PF-14	\$ -	59,523
	Total for U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		-	59,523
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grants		16,832	-
	Passed through:			
	State of Missouri Department of Public Safety -			
16.579	Edward Byrne Memorial Formula Grant Program		9,998	-
	Total for U.S. DEPARTMENT OF JUSTICE		26,830	-
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through State of Missouri			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO - 006-14	44,704	312,982
		BRO - 006-15	22,902	-
		BRO - 006-16	23,587	-
	Department of Public Safety -			
20.601	DWI Enforcements		2,940	-
20.703	Hazardous Moving Violations		5,800	-
	Total for U.S. DEPARTMENT OF TRANSPORTATION		99,933	312,982
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Missouri Secretary of State -			
90.401	Help America Vote Act Requirements Payments		4,377	161,600
	Total for ELECTION ASSISTANCE COMMISSION		4,377	161,600
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State of Missouri Department of Public Safety:			
97.042	Emergency Management Performance Grants		3,995	-
97.051	State and Local All Hazards Emergency Operations Planning	CEPF/HMEP	-	3,854
97.067	Homeland Security Grant Program		1,672	316
97.026	SEMA Communications Grant		13,467	-
97.053	Citizens Corp Grant		60	-
	Total for U.S. DEPARTMENT OF HOMELAND SECURITY		19,194	4,170
Total Expenditures of Federal Awards			\$ 150,334	538,275

See accompanying notes to Schedule of Expenditures of Federal Awards.

BARTON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECEIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2007 and 2006.

BARTON COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2007 AND 2006

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that required to be Reported in accordance with section 510(A) of Circular A-133? Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Findings 1 through 5.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – FOLLOW-UP PRIOR YEARS FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to Federal Awards for the two years ended December 31, 2005.

FINDINGS AND RECOMMENDATIONS

BARTON COUNTY, MISSOURI
Findings and Recommendations

MATERIAL WEAKNESS IN INTERNAL CONTROL

1. Lack of Controls Over Adjustments to Property Tax Bills

Condition: State Statutes provide that the duties of property assessment, property tax billing and property tax collection be handled by separate offices within the counties. This separation is designed to eliminate the ability of any one official to initiate and conceal an irregularity with respect to property taxes.

The property tax system at Barton County is not in accordance with the statutes and does not provide for separation of incompatible functions. While the Assessor determines and documents the original assessed values, subsequent changes to those values can be made by the Collector. Because the Collector can access the property tax system and adjust tax bills, any cash collection that was not recorded or deposited could be concealed by simply abating the tax bill.

Recommendation: We recommend that access to the property tax rolls be immediately restricted to only personnel in the Assessor's Office. All changes to the tax bills should require an authorized addition or abatement, approved by the Assessor and the Presiding Commissioner, with a copy to the Clerk. The Clerk should maintain an independent record of the additions and abatements and reconcile these amounts to the Collector's monthly statement.

This system will provide assurance that only authorized changes to the assessed valuations and property tax bills are processed.

County's Response: In the past all abatements were approved by the County Commission and the County Clerk has always had copies and they were reconciled to court orders. However, the ability to change tax bills has now been restricted to the Assessor's personnel only as of June 2008

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

2. Collector's Account Bank Reconciliation

Condition: Checks are listed as outstanding on the month-end bank statement that are not actually written until the following month. The Collector records these checks as though they were written in the month prior to their actual date and reduces the recorded cash balance accordingly. This practice results in inaccurate accounting records and a misstatement of the month-end cash balance for the Collector. We understand the importance of reconciling cash to the Collector's Monthly Settlement, however, a reconciliation between cash in the bank and cash per the accounting records at month-end should also be prepared.

Recommendation: We recommend the Collector record checks in the accounting system only when written and prepare a bank reconciliation properly noting outstanding checks and book balances.

County's Response: Collector shall make an attempt to comply.

3. Law Library Account Bank Reconciliation

Condition: The Circuit Clerk maintains a Law Library account which is used for maintaining and

purchasing new items for the law library. During the audit for the 2006 and 2007 years, we found that this bank account had not been reconciled.

Recommendation: We suggest that the bank account be reconciled monthly and that all activity of the account be reviewed by the Circuit Clerk. Such review should be documented to ensure that the review is completed and performed on a timely basis.

County Response: Beginning January 2007, the current Circuit Clerk reconciles the Law Library account monthly upon receipt of the bank statement.

4. Expenditure Approval

Condition: Goods and services are procured by individual department heads and invoices are forwarded to the County Clerk. The County Clerk then enters all invoices into the computer system. Next, all checks for that period are printed and signed by the County Clerk and Treasurer. The invoices, a summary of all invoices for that period, and signed checks are taken to the Commission for review and approval, and for the Presiding Commissioner to sign. The invoices are not initialed, cancelled or stamped "Paid" when they are approved.

Recommendation: We recommend that at least one commissioner initial each individual invoice as paid, in order to decrease the likelihood that an invoice could be presented for payment more than once.

County Response: We will adopt the practice of initialing invoices.

5. Fuel Card Contract

Condition: The Sheriff's office seeks and retains bid information regarding fuel for the Sheriff's Department. The bid for fuel has generally been awarded to the only gas station in the town that allows for twenty-four hour access to gas. A component of the service provided is the issuance to each Sheriff's Department officer of a fuel charge card to purchase gas at this station. However, a review of the contract between the County and the gas station revealed that the contract does not limit use of the charge card to fuel and other patrol car necessities.

Recommendation: We recommend that the next contract concerning fuel charge cards limit the use of each card to the purchase of fuel and other patrol car necessities only. This will reduce the risk of employees making unauthorized purchases with their charge cards and provide protection to the County from fraudulent transactions.

County's Response: We will comply.

ITEMS OF NONCOMPLIANCE

None.

OTHER MATTERS

In planning and performing our audit of the financial statements of Barton County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated July 29, 2008. (A separate report dated July 29, 2008 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated July 29, 2008.

6. Written Job Descriptions

Condition: The County Clerk's office does not prepare or retain written job descriptions for all employees. We were informed by the County Clerk that the County had no written job descriptions. Such documentation provides guidance for employees as to their job requirements and the County's expectations. Job descriptions also can be useful as a training tool, for performance evaluations, for purposes of setting and reviewing compensation, and as documentation of agreed-upon employee duties in the event of a dispute.

Recommendation: We recommend that written job descriptions be prepared for all County employees.

County's Response: We will request elected officials to submit written job descriptions pertaining to employees in their office. These job descriptions will be kept by the County Clerk.

BARTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Barton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

There were no findings presented in the prior audit report.



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Polk County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Polk County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Officer CPA Firm LLC, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

November 2008
Report No. 2008-77

POLK COUNTY, MISSOURI
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

POLK COUNTY, MISSOURI
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INDEPENDENT AUDITORS REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Polk County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash-Variou s Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash Budget and Actual-Variou s Funds of Polk County, Missouri, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Polk County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 6, 2008, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

Officer CPA Firm LLC

Springfield, Missouri
August 6, 2008

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Polk County, Missouri

We have audited the financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Polk County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The significant deficiency is identified on page 26.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider it to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Polk County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the Management Letter.

This report is intended for the information and use of the management of Polk County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials.

Officer CPA Firm LLC

Springfield, Missouri
August 6, 2008

POLK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUND
YEAR ENDED DECEMBER 31, 2007

Fund	Cash, January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$ 1,553,595	1,690,556	1,326,485	1,917,666
Special Road and Bridge	-	2,410,924	2,329,724	81,200
Assessment	64,176	282,196	264,273	82,099
Law Enforcement Training	12,814	12,218	9,449	15,583
Prosecuting Attorney Training	7,542	1,750	2,750	6,542
Law Enforcement Sales Tax	31,463	1,950,273	1,981,736	-
Capital Improvement Sales tax	123,837	1,408,261	841,998	690,100
Emergency 911	5	234,704	230,882	3,827
Child Support Enforcement	2,919	135,095	138,014	-
Prosecuting Attorney Bad Check	6,795	21,654	26,966	1,483
Recorder User Fee	7,212	23,618	20,454	10,376
Prosecuting Attorney Delinquent Tax	-	479	-	479
Sheriff Civil Fees	41,688	50,094	46,115	45,667
Special Trust	180	7,940	8,050	70
Moore Cemetery Trust	4,428	236	300	4,364
Recycling Project	-	25,590	25,590	-
Local Emergency Planning Committee	10,027	2,524	1,557	10,994
Juvenile Detention Center	52,433	34,904	30,000	57,337
Veterans Memorial	2,870	166	-	3,036
Election Services	10,933	6,733	4,102	13,564
Collector Tax Maintenance	24,648	25,080	20,657	29,071
Drug Court	39,275	120,774	74,085	85,964
Senate Bill 40 Board	64,037	52,286	41,076	75,247
Sheriff Special Operations	4,219	-	-	4,219
Law Library	6,157	16,814	15,023	7,948
Circuit Clerk Interest	5,628	12,445	5,100	12,973
Circuit Clerk Family Justice Fund	4,428	8,000	1,900	10,528
Senior Service Tax Fund	15,549	125,707	97,792	43,464
Law Enforcement Restitution Fund	8,118	15,740	-	23,858
				-
Total	\$ 2,104,976	8,676,761	7,544,078	3,237,659

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUND
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$ 1,277,440	1,512,276	1,236,121	1,553,595
Special Road and Bridge	17,200	2,482,572	2,499,772	(0)
Assessment	34,478	247,740	218,042	64,176
Law Enforcement Training	13,995	10,950	12,131	12,814
Prosecuting Attorney Training	7,216	1,680	1,354	7,542
Law Enforcement Sales Tax	50,233	1,822,768	1,841,538	31,463
Capital Improvement Sales tax	35,100	1,368,672	1,279,935	123,837
Emergency 911	16,390	214,479	230,864	5
Child Support Enforcement	-	136,174	133,255	2,919
Prosecuting Attorney Bad Check	13,337	27,069	33,611	6,795
Recorder User Fee	12,270	28,620	33,678	7,212
Prosecuting Attorney Delinquent Tax	-	-	-	-
Sheriff Civil Fees	38,768	42,468	39,548	41,688
Special Trust	135	8,545	8,500	180
Moore Cemetery Trust	4,342	286	200	4,428
Recycling Project	-	24,255	24,255	-
Local Emergency Planning Committee	8,802	5,157	3,932	10,027
Juvenile Detention Center	61,725	47,362	56,654	52,433
Veterans Memorial	2,799	71	-	2,870
Election Services	10,014	3,896	2,977	10,933
Collector Tax Maintenance	17,949	23,002	16,303	24,648
Drug Court	12,925	59,491	33,141	39,275
Senate Bill 40 Board	50,672	48,306	34,941	64,037
Sheriff Special Operations	4,219	-	-	4,219
Law Library	5,222	15,757	14,822	6,157
Circuit Clerk Interest	5,844	7,116	7,332	5,628
Circuit Clerk Family Justice Fund	-	6,540	2,112	4,428
Senior Service Tax Fund	-	15,549	-	15,549
Law Enforcement Restitution Fund	-	8,118	-	8,118
Total	\$ <u>1,701,074</u>	<u>8,168,919</u>	<u>7,765,018</u>	<u>2,104,975</u>

NOTE: For year ended 12/31/06, the Health Department is no longer included in the County's financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 9,858,497	8,676,761	(1,181,736)	8,722,259	8,168,919	(553,340)
DISBURSEMENTS	10,176,406	7,544,079	(2,632,327)	9,344,313	7,765,018	(1,579,295)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(317,909)	1,132,682	1,450,591	(622,054)	403,901	1,025,955
CASH, JANUARY 1	2,103,778	2,104,976	1,198	1,701,897	1,701,075	(822)
CASH, DECEMBER 31	1,785,869	3,237,658	1,451,789	1,079,843	2,104,976	1,025,133

GENERAL REVENUE FUND

RECEIPTS						
Property taxes	749,000	817,127	68,127	690,500	753,261	62,761
Intergovernmental	209,718	213,583	3,865	648,650	72,924	(575,726)
Charges for services	431,110	423,312	(7,798)	418,400	429,625	11,225
Interest	90,000	125,569	35,569	40,000	89,885	49,885
Other	64,650	75,665	11,015	72,609	118,381	45,772
Transfers In	56,600	35,300	(21,300)	48,500	48,200	(300)
Total Receipts	1,601,078	1,690,556	89,478	1,918,659	1,512,276	(406,383)
DISBURSEMENTS						
County Commission	116,470	117,421	951	113,454	112,638	(816)
County Clerk	92,688	83,784	(8,904)	87,378	84,421	(2,957)
Elections	122,536	100,786	(21,750)	253,662	254,953	1,291
Building and grounds	261,074	185,884	(75,190)	570,688	132,492	(438,196)
Employee fringe benefits	68,000	72,076	4,076	64,500	61,778	(2,722)
County Treasurer	77,045	66,721	(10,324)	67,290	61,742	(5,548)
County Collector	115,592	108,423	(7,169)	115,219	106,038	(9,181)
Recorder of Deeds	102,932	96,270	(6,662)	96,942	90,280	(6,662)
Circuit Clerk	79,100	36,821	(42,279)	65,300	48,842	(16,458)
Public Administrator	55,200	52,563	(2,637)	55,134	53,371	(1,763)
Other	232,326	185,550	(46,776)	396,245	172,037	(224,208)
Transfers out	399,748	220,187	(179,561)	405,647	57,529	(348,118)
Emergency Fund	43,200		(43,200)	58,100		(58,100)
Total Disbursements	1,765,911	1,326,486	(439,425)	2,349,559	1,236,121	(1,113,438)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(164,833)	364,070	528,903	(430,900)	276,155	707,055
CASH, JANUARY 1	1,553,595	1,553,595	-	1,282,513	1,277,440	(5,073)
CASH, DECEMBER 31	1,388,762	1,917,665	528,903	851,613	1,553,595	701,982

Sheriff Special Operations

RECEIPTS						
Charges for Services		-	-			-
Total Receipts	-	-	-	-	-	-
DISBURSEMENTS						
Other			-			-
Total Disbursements	-	-	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	-	-
CASH, JANUARY 1	4,219	4,219	-	4,219	4,219	-
CASH, DECEMBER 31	4,219	4,219	-	4,219	4,219	-

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property Taxes	375,000	423,906	48,906	359,000	396,454	37,454
Intergovernmental	1,953,658	1,322,925	(630,733)	974,000	991,416	17,416
Interest	3,000	5,662	2,662	2,000	3,040	1,040
Other	1,000	8,431	7,431		10,155	10,155
Transfers In	1,235,587	650,000	(585,587)	1,147,900	1,081,507	(66,393)
Total Receipts	<u>3,568,245</u>	<u>2,410,924</u>	<u>(1,157,321)</u>	<u>2,482,900</u>	<u>2,482,572</u>	<u>(328)</u>
DISBURSEMENTS						
Salaries	551,276	514,329	(36,947)	583,082	537,679	(45,403)
Employee fringe benefits	164,000	158,192	(5,808)	169,200	155,377	(13,823)
Supplies	279,900	245,860	(34,040)	261,700	274,310	12,610
Insurance	45,000	42,869	(2,131)	45,000	41,074	(3,926)
Road and bridge materials	997,000	958,491	(38,509)	1,026,200	1,072,700	46,500
Equipment repairs	95,000	125,593	30,593	95,000	92,541	(2,459)
Uniform rental	8,500	8,406	(94)	8,500	10,957	2,457
Equipment purchases	80,000	78,451	(1,549)	80,000	87,219	7,219
Construction, repair, and maintenance	1,000	994	(6)	2,000	705	(1,295)
Other	1,061,450	67,409	(994,041)	98,250	95,741	(2,509)
Distributions to road districts	132,000	129,130	(2,870)	131,128	131,469	341
Total Disbursements	<u>3,415,126</u>	<u>2,329,724</u>	<u>(1,085,402)</u>	<u>2,500,060</u>	<u>2,499,772</u>	<u>(288)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>153,119</u>	<u>81,200</u>	<u>(71,919)</u>	<u>(17,160)</u>	<u>(17,200)</u>	<u>(40)</u>
CASH, JANUARY 1	-	-	-	17,200	17,200	-
CASH, DECEMBER 31	<u>153,119</u>	<u>81,200</u>	<u>(71,919)</u>	<u>40</u>	<u>-</u>	<u>(40)</u>
<u>ASSESSMENT</u>						
RECEIPTS						
Intergovernmental	238,155	245,264	7,109	234,300	214,404	(19,896)
Interest	3,600	6,628	3,028	1,300	3,540	2,240
Other	1,500	1,711	211	2,100	1,522	(578)
Transfers in	28,593	28,593	-	28,274	28,274	-
Total Receipts	<u>271,848</u>	<u>282,196</u>	<u>10,348</u>	<u>265,974</u>	<u>247,740</u>	<u>(18,234)</u>
DISBURSEMENTS						
Assessor	334,480	264,273	(70,207)	254,400	218,042	(36,358)
Total Disbursements	<u>334,480</u>	<u>264,273</u>	<u>(70,207)</u>	<u>254,400</u>	<u>218,042</u>	<u>(36,358)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(62,632)</u>	<u>17,923</u>	<u>80,555</u>	<u>11,574</u>	<u>29,698</u>	<u>18,124</u>
CASH, JANUARY 1	64,176	64,176	-	34,479	34,478	(1)
CASH, DECEMBER 31	<u>1,544</u>	<u>82,099</u>	<u>80,555</u>	<u>46,053</u>	<u>64,176</u>	<u>18,123</u>

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT TRAINING</u>						
RECEIPTS						
Intergovernmental	4,000	3,056	(944)	2,500	3,621	1,121
Charges for services	7,000	6,939	(61)	6,500	6,678	178
Interest	600	714	114	300	645	345
Other		1,509	1,509		6	6
Total Receipts	11,600	12,218	618	9,300	10,950	1,650
DISBURSEMENTS						
Sheriff	18,500	9,449	(9,051)	13,000	12,131	(869)
Total Disbursements	18,500	9,449	(9,051)	13,000	12,131	(869)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,900)	2,769	9,669	(3,700)	(1,181)	2,519
CASH, JANUARY 1	12,815	12,814	(1)	13,995	13,995	-
CASH, DECEMBER 31	5,915	15,583	9,668	10,295	12,814	2,519
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,679	1,750	71	1,800	1,680	(120)
Total Receipts	1,679	1,750	71	1,800	1,680	(120)
DISBURSEMENTS						
Prosecuting Attorney	2,800	2,750	(50)	2,725	1,354	(1,371)
Total Disbursements	2,800	2,750	(50)	2,725	1,354	(1,371)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,121)	(1,000)	121	(925)	326	1,251
CASH, JANUARY 1	7,542	7,542	-	7,216	7,216	-
CASH, DECEMBER 31	6,421	6,542	121	6,291	7,542	1,251
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	1,300,000	1,381,136	81,136	1,297,000	1,361,946	64,946
Intergovernmental	197,500	5,876	(191,624)	24,156	46,448	22,292
Charges for services	184,800	217,852	33,052	155,000	188,877	33,877
Interest	5,200	5,566	366	2,500	5,282	2,782
Other	180,000	157,404	(22,596)	165,000	197,659	32,659
Transfers In	355,694	182,439	(173,255)	363,419	22,556	(340,863)
Total Receipts	2,223,194	1,950,273	(272,921)	2,007,075	1,822,768	(184,307)
DISBURSEMENTS						
Sheriff	834,264	806,269	(27,995)	911,365	832,253	(79,112)
Jail	732,500	553,106	(179,394)	546,040	462,998	(83,042)
Prosecuting Attorney	244,696	236,121	(8,575)	230,560	239,894	9,334
Juvenile Office	44,940	43,891	(1,049)	48,241	41,418	(6,823)
County Coroner	31,535	25,154	(6,381)	28,710	20,796	(7,914)
Employee fringe benefits & misc	300,223	312,195	11,972	237,420	244,179	6,759
Emergency Fund	66,500		(66,500)	49,900		(49,900)
Transfer Out		5,000	5,000			-
Total Disbursements	2,254,658	1,981,736	(272,922)	2,052,236	1,841,538	(210,698)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,464)	(31,463)	1	(45,161)	(18,770)	26,391
CASH, JANUARY 1	31,464	31,463	(1)	45,161	50,233	5,072
CASH, DECEMBER 31	-	-	-	-	31,463	31,463
<u>Law Enforcement Restitution Fund</u>						
RECEIPTS						
Charges for services	8,000	15,302	7,302	15,000	8,118	(6,882)
Interest		438	438			
Total Receipts	8,000	15,740	7,740	15,000	8,118	(6,882)
DISBURSEMENTS						
Other	15,000		(15,000)	15,000		(15,000)
Total Disbursements	15,000	-	(15,000)	15,000	-	(15,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,000)	15,740	22,740	-	8,118	8,118
CASH, JANUARY 1	8,118	8,118	-	-	-	-
CASH, DECEMBER 31	1,118	23,858	22,740	-	8,118	8,118

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales Tax	1,300,000	1,381,132	81,132	1,298,000	1,361,921	63,921
Interest	6,750	27,129	20,379	4,000	6,751	2,751
Total Receipts	<u>1,306,750</u>	<u>1,408,261</u>	<u>101,511</u>	<u>1,302,000</u>	<u>1,368,672</u>	<u>66,672</u>
DISBURSEMENTS						
Distributions to road and bridge fund	1,235,587	650,000	(585,587)	1,147,900	1,081,507	(66,393)
Special Road Districts	195,000	191,998	(3,002)	189,000	198,428	9,428
Total Disbursements	<u>1,430,587</u>	<u>841,998</u>	<u>(588,589)</u>	<u>1,336,900</u>	<u>1,279,935</u>	<u>(56,965)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(123,837)</u>	<u>566,263</u>	<u>690,100</u>	<u>(34,900)</u>	<u>88,737</u>	<u>123,637</u>
CASH, JANUARY 1	<u>123,837</u>	<u>123,837</u>	<u>-</u>	<u>35,100</u>	<u>35,100</u>	<u>-</u>
CASH, DECEMBER 31	<u>-</u>	<u>690,100</u>	<u>690,100</u>	<u>200</u>	<u>123,837</u>	<u>123,637</u>
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Intergovernmental	213,910	234,474	20,564	240,805	214,179	(26,626)
Interest	300	230	(70)	200	300	100
Total Receipts	<u>214,210</u>	<u>234,704</u>	<u>20,494</u>	<u>241,005</u>	<u>214,479</u>	<u>(26,526)</u>
DISBURSEMENTS						
Emergency 911 Central Dispatch	214,215	230,882	16,667	257,395	230,864	(26,531)
Total Disbursements	<u>214,215</u>	<u>230,882</u>	<u>16,667</u>	<u>257,395</u>	<u>230,864</u>	<u>(26,531)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(5)</u>	<u>3,822</u>	<u>3,827</u>	<u>(16,390)</u>	<u>(16,385)</u>	<u>5</u>
CASH, JANUARY 1	<u>5</u>	<u>5</u>	<u>-</u>	<u>16,390</u>	<u>16,390</u>	<u>-</u>
CASH, DECEMBER 31	<u>-</u>	<u>3,827</u>	<u>3,827</u>	<u>-</u>	<u>5</u>	<u>5</u>
<u>DRUG COURT</u>						
RECEIPTS						
Intergovernmental	40,000	69,660	29,660	19,000	34,321	15,321
Other	26,000	36,114	10,114	19,000	10,170	(8,830)
Transfers In	28,000	15,000	(13,000)	5,000	15,000	10,000
Total Receipts	<u>94,000</u>	<u>120,774</u>	<u>26,774</u>	<u>43,000</u>	<u>59,491</u>	<u>16,491</u>
DISBURSEMENTS						
Other	77,900	74,085	(3,815)	45,700	33,141	(12,559)
Total Disbursements	<u>77,900</u>	<u>74,085</u>	<u>(3,815)</u>	<u>45,700</u>	<u>33,141</u>	<u>(12,559)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>16,100</u>	<u>46,689</u>	<u>30,589</u>	<u>(2,700)</u>	<u>26,350</u>	<u>29,050</u>
CASH, JANUARY 1	<u>39,275</u>	<u>39,275</u>	<u>-</u>	<u>12,925</u>	<u>12,925</u>	<u>-</u>
CASH, DECEMBER 31	<u>55,375</u>	<u>85,964</u>	<u>30,589</u>	<u>10,225</u>	<u>39,275</u>	<u>29,050</u>

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charge for services	2,000	479	(1,521)	-	-	-
Total Receipts	2,000	479	(1,521)	-	-	-
DISBURSEMENTS						
Prosecuting Attorney	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	479	(1,521)	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	2,000	479	(1,521)	-	-	-
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Intergovernmental	40,000	47,732	7,732	38,000	36,897	(1,103)
Interest	2,000	2,362	362	1,000	2,071	1,071
Other	-	-	-	-	3,500	3,500
Total Receipts	42,000	50,094	8,094	39,000	42,468	3,468
DISBURSEMENTS						
Sheriff	75,000	46,115	(28,885)	75,000	39,548	(35,452)
Total Disbursements	75,000	46,115	(28,885)	75,000	39,548	(35,452)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(33,000)	3,979	36,979	(36,000)	2,920	38,920
CASH, JANUARY 1	41,688	41,688	-	38,768	38,768	-
CASH, DECEMBER 31	8,688	45,667	36,979	2,768	41,688	38,920
<u>SPECIAL TRUST FUND</u>						
RECEIPTS						
Intergovernmental	7,500	7,000	(500)	-	7,500	7,500
Charges for services	1,000	940	(60)	1,000	1,045	45
Total Receipts	8,500	7,940	(560)	1,000	8,545	7,545
DISBURSEMENTS						
Domestic Violence Shelter	8,500	8,050	(450)	1,000	8,500	7,500
Total Disbursements	8,500	8,050	(450)	1,000	8,500	7,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(110)	(110)	-	45	45
CASH, JANUARY 1	180	180	-	135	135	-
CASH, DECEMBER 31	180	70	(110)	135	180	45
<u>MOORE CEMETERY TRUST FUND</u>						
RECEIPTS						
Charges for Services	-	-	-	-	-	-
Interest	200	236	36	100	286	186
Total Receipts	200	236	36	100	286	186
DISBURSEMENTS						
Transfers out	600	300	(300)	350	200	(150)
Total Disbursements	600	300	(300)	350	200	(150)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	(64)	336	(250)	86	336
CASH, JANUARY 1	4,428	4,428	-	4,342	4,342	-
CASH, DECEMBER 31	4,028	4,364	336	4,092	4,428	336

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>CHILD SUPPORT ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	146,106	134,859	(11,247)	141,686	136,065	(5,621)
Other		141	141		109	109
Transfers in	10,000	95	(9,905)	10,000		(10,000)
Total Receipts	<u>156,106</u>	<u>135,095</u>	<u>(21,011)</u>	<u>151,686</u>	<u>136,174</u>	<u>(15,512)</u>
DISBURSEMENTS						
Other	148,046	138,014	(10,032)	141,686	133,255	(8,431)
Total Disbursements	<u>148,046</u>	<u>138,014</u>	<u>(10,032)</u>	<u>141,686</u>	<u>133,255</u>	<u>(8,431)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,060	(2,919)	(10,979)	10,000	2,919	(7,081)
CASH, JANUARY 1	2,919	2,919	-	-	-	-
CASH, DECEMBER 31	<u>10,979</u>	<u>-</u>	<u>(10,979)</u>	<u>10,000</u>	<u>2,919</u>	<u>(7,081)</u>
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	25,000	20,647	(4,353)	25,000	25,216	216
Interest	1,000	1,007	7	500	1,205	705
Other	1,000		(1,000)	270	648	378
Total Receipts	<u>27,000</u>	<u>21,654</u>	<u>(5,346)</u>	<u>25,770</u>	<u>27,069</u>	<u>1,299</u>
DISBURSEMENTS						
Prosecuting Attorney	1,000	436	(564)	32,200	1,055	(31,145)
Transfers out	32,000	26,530	(5,470)		32,556	32,556
Total Disbursements	<u>33,000</u>	<u>26,966</u>	<u>(6,034)</u>	<u>32,200</u>	<u>33,611</u>	<u>1,411</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,000)	(5,312)	688	(6,430)	(6,542)	(112)
CASH, JANUARY 1	6,796	6,795	(1)	13,337	13,337	-
CASH, DECEMBER 31	<u>796</u>	<u>1,483</u>	<u>687</u>	<u>6,907</u>	<u>6,795</u>	<u>(112)</u>
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	28,200	23,304	(4,896)	28,000	27,919	(81)
Interest	800	314	(486)	500	701	201
Total Receipts	<u>29,000</u>	<u>23,618</u>	<u>(5,382)</u>	<u>28,500</u>	<u>28,620</u>	<u>120</u>
DISBURSEMENTS						
Recorder of Deeds	36,000	20,454	(15,546)	38,000	33,678	(4,322)
Total Disbursements	<u>36,000</u>	<u>20,454</u>	<u>(15,546)</u>	<u>38,000</u>	<u>33,678</u>	<u>(4,322)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,000)	3,164	10,164	(9,500)	(5,058)	4,442
CASH, JANUARY 1	7,212	7,212	-	12,270	12,270	-
CASH, DECEMBER 31	<u>212</u>	<u>10,376</u>	<u>10,164</u>	<u>2,770</u>	<u>7,212</u>	<u>4,442</u>

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>RECYCLING PROJECT FUND</u>						
RECEIPTS						
Transfers in	27,461	25,590	(1,871)	25,154	24,255	(899)
Total Receipts	27,461	25,590	(1,871)	25,154	24,255	(899)
DISBURSEMENTS						
Other	27,461	25,590	(1,871)	25,154	24,255	(899)
Total Disbursements	27,461	25,590	(1,871)	25,154	24,255	(899)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	-	-	-	-	-	-
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental		2,459	2,459			-
Charge for services	5,000	65	(4,935)	4,784	5,157	373
Total Receipts	5,000	2,524	(2,476)	4,784	5,157	373
DISBURSEMENTS						
Other	7,150	1,557	(5,593)	7,650	3,932	(3,718)
Total Disbursements	7,150	1,557	(5,593)	7,650	3,932	(3,718)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,150)	967	3,117	(2,866)	1,225	4,091
CASH, JANUARY 1	10,026	10,027	1	8,802	8,802	-
CASH, DECEMBER 31	7,876	10,994	3,118	5,936	10,027	4,091
<u>JUVENILE DETENTION CENTER FUND</u>						
RECEIPTS						
Intergovernmental	34,100	34,904	804	54,660	47,362	(7,298)
Total Receipts	34,100	34,904	804	54,660	47,362	(7,298)
DISBURSEMENTS						
Juvenile Detention Center	56,007		(56,007)	73,273	13,654	(59,619)
Transfers Out	30,000	30,000	-	43,000	43,000	-
Total Disbursements	86,007	30,000	(56,007)	116,273	56,654	(59,619)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,907)	4,904	56,811	(61,613)	(9,292)	52,321
CASH, JANUARY 1	52,433	52,433	-	61,725	61,725	-
CASH, DECEMBER 31	526	57,337	56,811	112	52,433	52,321

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>VETERANS MEMORIAL FUND</u>						
RECEIPTS						
Interest	70	166	96	60	71	11
Total Receipts	70	166	96	60	71	11
DISBURSEMENTS						
Other	200		(200)	200		(200)
Total Disbursements	200	-	(200)	200	-	(200)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(130)	166	296	(140)	71	211
CASH, JANUARY 1	2,870	2,870	-	2,799	2,799	-
CASH, DECEMBER 31	2,740	3,036	296	2,659	2,870	211
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	3,001	3,001	-			-
Interest	300	555	255	200	418	218
Other	3,000	3,177	177	2,400	3,478	1,078
Total Receipts	6,301	6,733	432	2,600	3,896	1,296
DISBURSEMENTS						
Election services	4,600	4,102	(498)	4,600	2,977	(1,623)
Total Disbursements	4,600	4,102	(498)	4,600	2,977	(1,623)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,701	2,631	930	(2,000)	919	2,919
CASH, JANUARY 1	10,934	10,933	(1)	10,015	10,014	(1)
CASH, DECEMBER 31	12,635	13,564	929	8,015	10,933	2,918
<u>COLLECTOR TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	23,500	23,483	(17)	20,000	21,729	1,729
Interest	1,300	1,597	297	500	1,273	773
Total Receipts	24,800	25,080	280	20,500	23,002	2,502
DISBURSEMENTS						
Collector	20,560	15,657	(4,903)	20,000	11,303	(8,697)
Transfer Out	5,000	5,000	-	5,000	5,000	-
Total Disbursements	25,560	20,657	(4,903)	25,000	16,303	(8,697)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(760)	4,423	5,183	(4,500)	6,699	11,199
CASH, JANUARY 1	24,647	24,648	1	17,948	17,949	1
CASH, DECEMBER 31	23,887	29,071	5,184	13,448	24,648	11,200
<u>Circuit Clerk Family Justice Fund</u>						
RECEIPTS						
Interest		350	350			
Charges for services	6,500	7,650	1,150	7,000	6,540	(460)
Total Receipts	6,500	8,000	1,500	7,000	6,540	(460)
DISBURSEMENTS						
Other	10,928	1,900	(9,028)	5,600	2,112	(3,488)
Total Disbursements	10,928	1,900	(9,028)	5,600	2,112	(3,488)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,428)	6,100	10,528	1,400	4,428	3,028
CASH, JANUARY 1	4,428	4,428	-	-	-	-
CASH, DECEMBER 31	-	10,528	10,528	1,400	4,428	3,028

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET
AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2007			2006		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>Circuit Clerk Interest Fund</u>						
RECEIPTS						
Intergovernmental		7,332	7,332			
Interest	5,000	5,113	113	4,200	7,116	2,916
Total Receipts	5,000	12,445	7,445	4,200	7,116	2,916
DISBURSEMENTS						
Other	5,000	5,100	100	10,000	7,332	(2,668)
Total Disbursements	5,000	5,100	100	10,000	7,332	(2,668)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	7,345	7,345	(5,800)	(216)	5,584
CASH, JANUARY 1	5,576	5,628	52	6,670	5,844	(826)
CASH, DECEMBER 31	5,576	12,973	7,397	870	5,628	4,758
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	52,500	49,834	(2,666)	42,983	46,239	3,256
Interest	2,100	2,452	352		2,067	2,067
Total Receipts	54,600	52,286	(2,314)	42,983	48,306	5,323
DISBURSEMENTS						
Contracted services	47,500	39,523	(7,977)	19,975	33,427	13,452
Office expenses	1,722	1,553	(169)	1,650	1,514	(136)
Total Disbursements	49,222	41,076	(8,146)	21,625	34,941	13,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,378	11,210	5,832	21,358	13,365	(7,993)
CASH, JANUARY 1	64,029	64,037	8	50,666	50,672	6
CASH, DECEMBER 31	69,407	75,247	5,840	72,024	64,037	(7,987)
<u>Circuit Clerk Law Library Fund</u>						
RECEIPTS						
Charge for services	14,000	16,814	2,814	12,000	15,757	3,757
Total Receipts	14,000	16,814	2,814	12,000	15,757	3,757
DISBURSEMENTS						
Other	15,000	15,023	23	13,000	14,822	1,822
Total Disbursements	15,000	15,023	23	13,000	14,822	1,822
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	1,791	2,791	(1,000)	935	1,935
CASH, JANUARY 1	5,017	6,157	1,140	5,222	5,222	-
CASH, DECEMBER 31	4,017	7,948	3,931	4,222	6,157	1,935
<u>Senior Service Tax Fund</u>						
RECEIPTS						
Property taxes	114,955	120,301	5,346	15,549	15,549	-
Other		1,734	1,734			
Interest	300	3,672	3,372			-
Total Receipts	115,255	125,707	10,452	15,549	15,549	-
DISBURSEMENTS						
Other	114,955	97,792	(17,163)	-		-
Total Disbursements	114,955	97,792	(17,163)	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	27,915	27,615	15,549	15,549	-
CASH, JANUARY 1	15,549	15,549	-	-	-	-
CASH, DECEMBER 31	15,849	43,464	27,615	15,549	15,549	-

See accompanying notes to the financial statements.

POLK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, or the Emergency 911 Central Dispatch. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31.</u>
Prosecuting Attorney Bad Check Fund	2006
Special Trust Fund	2006
Circuit Clerk Interest Fund	2007
Emergency 911 Fund	2007
Senate Bill 40 Board Fund	2006
Circuit Clerk Law Library Fund	2007, 2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31.</u>
Capital Improvement Sales Tax Fund	2007 and 2006
Family Justice Fund	2007 and 2006

2. Cash and Investments

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Polk County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2007 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2007, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Supplementary Schedule

POLK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31, 2007	2006
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.592	Local Law Enforcement Block Grant	N/A		32,878
16.554	National Criminal History Improvement Program	N/A		4,613
	Passed through:			
16579	State Department of Public Safety - Byrne Formula Grant Program			8,956
	U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Passed through state Highway and Transportation Commission - Highway Planning and Construction	BRO-84	21,139	73,663
	Program Total		0	73,663
	ELECTIONS ASSISTANCE COMMISSION			
90.401	Passed through the Office of Secretary of State Help America Vote Act Requirements Payment	N/A	104,962	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state Department of Health and Senior Services:			
93.563	Passed through Department of Social Services: Child Support Enforcement	N/A	134,859	136,065
14.231	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through State Department of Social Services Emergency Shelter Grants Program	N/A	7,000	7,500
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through State Department of Public Safety			
97.036	Public Assistance Grants	FEMA 167-99167-00	69,607	
97.036	Public Assistance Grants	1728	324,455	
97.042	Emergency Management Performance Grants	N/A	11,327	11,156
97.051	State and Local All Hazards Emergency Operations	N/A	3,394	5,156
83.548	Hazard Mitigation Grant	FEMA 1412DR-MO	40,446	
	Total Expenditures of Federal Awards		717,189	279,987

POLK COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. The schedule includes all federal awards administered by Polk County, Missouri.

B. Basis of Presentation

OMB Circular A- 133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Polk County expended no noncash awards for the years ended December 31, 2007 and 2006, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$7,000 and \$7,500 to a subrecipient under the Emergency Shelter Grants Program (CFDA 14.231) during the years ended December 31, 2007 and 2006 respectively.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

To the County Commission
and
Officeholders of Polk County, Missouri

Compliance

We have audited the compliance of Polk County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Polk County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

Internal Control Over Compliance

The management of Polk County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Polk County, federal awarding agencies and pass-through entities; and other applicable government officials.

Officer CPA Firm LLC

Springfield, Missouri
August 6, 2008

POLK COUNTY, MISSOURI
SCHEDULE OF AUDITOR'S RESULTS AND FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

 Material weaknesses identified? _____ yes x no

 Significant deficiencies identified that are
 not considered to be material weaknesses? x yes _____ none reported

Noncompliance material to the financial statements
noted? _____ yes x no

Federal Awards

Internal control over major programs:

 Material weaknesses identified? _____ yes x no

 Significant deficiencies identified that are
 not considered to be material weaknesses? _____ yes x none reported

Type of auditors report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes x no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
90.401	Help America Vote Act Requirements Payment
97.036	Public Assistance Grants
83.548	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____yes x no

Financial Statement Findings

The assessor's office prepares the property tax assessed valuation, additions, property abatements and gives this to the collector's office. The collector's office prepares property tax billings and collects the taxes. The clerk's office is to prepare a reconciliation of those assessed with billed and collected. During our audit, we were not able to verify the amounts billed with the amounts collected. We recommend that all three offices work together to implement procedures to ensure that all that are assessed, are collected and accounted for.

Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

None

POLK COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Financial Statement Findings

Finding:

The assessor's office prepares the property tax assessed valuation, additions, property abatements and gives this to the collector's office. The collector's office prepares property tax billings and collects the taxes. The clerk's office is to prepare a reconciliation of those assessed with billed and collected. During our audit, we were not able to verify the amounts billed with the amounts collected. We recommend all three offices to work together to implement procedures to ensure that all that are assessed are collected and accounted for.

Status:

Not implemented and the same finding exists for the 2006 and 2007.

OMB Circular A-133 Findings:

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005, included no audit findings required to be reported for an audit of federal awards.



To the County Commission,

In planning and performing our audit of the financial statements of Polk County as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Property Tax Receipts

The assessor's office prepares the property tax assessed valuation, additions, property abatements and gives this to the collector's office. The collector's office prepares property tax billings and collects the taxes. The clerk's office is to prepare a reconciliation of those assessed with billed and collected. During our audit, we were not able to verify the amounts billed with the amounts collected. We recommend that all three offices work together to implement procedures to ensure that all that are assessed, are collected and accounted for.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the above deficiencies constitute a material weakness.

During the performance of our audit we observed several other areas of your organization not related to the internal control structure. The following suggestion hopefully will improve the efficiency and accuracy of your financial and statistical records.

Standardized Filing System for Grants

To improve the required documentation for grants, we suggest that a checklist be developed and given to all individuals responsible for federal grants. Such checklist should include the required documents such as grant applications, grant agreements, requests for funds forms, invoices and copies of checks, status reports, budgets and prevailing wage reporting if applicable.

Integrated Accounting System

As discussed in the previous biennial report, to improve the internal accounting records and efficiency of year end reports, we suggest that the county use the same accounting software for the Treasurer's receipts, payroll and accounts payable functions.

Purchasing

We recommend improvements to safeguarding of county equipment and materials by conducting independent surprise inventory counts. This will help eliminate or deter the personal use of county property. In addition, some inventory items may need better security such as the fuel tanks in a fenced and locked area.

This communication is intended solely for the information and use of management, the county commission and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Officer CPA Firm LLC

Springfield, MO
August 6, 2008



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Audrain County, Missouri

The Office of the State Auditor, in cooperation with Audrain County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey and Company, L.L.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

November 2008
Report No. 2008-76

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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CASEY AND COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

AUDRAIN COUNTY, MISSOURI
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INDEPENDENT AUDITORS' REPORT

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

One Broadway Building
1 East Broadway
Columbia, MO 65203-4205
573 / 442 – 8427
FAX / 875 – 7876
www.caseycpas.com

August 7, 2008

INDEPENDENT AUDITORS' REPORT

To the County Commission
Audrain County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Audrain County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the county prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Additionally as discussed in Note 1, the County recognizes cash receipts when received by the County Treasurer rather than by other county officeholders and, accordingly, delays reporting cash receipts as cash revenue for a month at year end. Cash basis accounting principles, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, require that the County recognize cash receipts when received by any county officeholder which would increase the cash assets and fund balances and change the cash revenues in the General Revenue Fund and Special Road and Bridge Fund governmental funds. The amount by which this departure would affect the assets, fund balances, and revenues of the General Revenue Fund and Special Road and Bridge Fund of Audrain County is not reasonably determinable.

MEMBER

•
American
Institute of
Certified
Public
Accountants

•
Missouri
Society of
Certified
Public
Accountants

In our opinion, except for the effects of not recognizing cash receipts until received by the Audrain County Treasurer for the General Revenue Fund and Special Road and Bridge Fund governmental funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the major and nonmajor governmental funds of Audrain County, Missouri as of December 31, 2007 and 2006, with the respective changes in cash basis financial position for the years then ended in conformity with the cash basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2008 on our consideration of Audrain County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1 to the basic financial statements, Audrain County, Missouri, implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statements No 34 and No. 37, *Basic Financial Statements – and Managements' Discussion and Analysis-for State and Local Governments*, as of January 1, 2006.

Audrain County, Missouri, has not presented the Managements' Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting has determined to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Audrain County, Missouri. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Original Signed by Auditor

Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 5,889,483	\$ 4,791,473
Investments	<u>430,000</u>	<u>430,000</u>
Total Assets	\$ <u>6,319,483</u>	\$ <u>5,221,473</u>
NET ASSETS		
Restricted for:		
Roads and Bridges	\$ 2,878,628	\$ 2,258,375
Public Safety	501,528	325,261
Other nonmajor governmental funds	1,894,931	2,198,745
Unrestricted	<u>1,044,396</u>	<u>439,092</u>
Total Net Assets	\$ <u><u>6,319,483</u></u>	\$ <u><u>5,221,473</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

AUDRAIN COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Receipts		Net (Disbursements)
	Cash	Charges	Operating Grants	Receipts and
	Disbursements	for Services	and Contributions	Changes in
				Net Assets
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,620,688)	\$ 902,710	\$ 815,046	\$ 97,068
Roads and bridges	(3,523,643)	-	1,657,286	(1,866,357)
Public safety	(4,024,104)	-	301,075	(3,723,029)
Health and welfare	(602,290)	-	-	(602,290)
Other	(564,456)	-	-	(564,456)
NET PROGRAM				
(DISBURSEMENTS) RECEIPTS	\$ (10,335,181)	\$ 902,710	\$ 2,773,407	\$ (6,659,064)
GENERAL RECEIPTS				
Taxes				
Property taxes			\$ 2,295,127	
Sales taxes			4,486,562	
Interest			342,885	
Other			632,500	
Total General Receipts			\$ 7,757,074	
Increase in Net Assets				1,098,010
NET ASSETS, JANUARY 1			\$ 5,221,473	
NET ASSETS, DECEMBER 31			\$ 6,319,483	

**THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.**

AUDRAIN COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Receipts		Net (Disbursements)
	Cash	Charges	Operating Grants	Receipts and
	Disbursements	for Services	and Contributions	Changes in
				Net Assets
GOVERNMENTAL ACTIVITIES				
General county government	\$ (1,850,135)	\$ 733,481	\$ 1,004,598	\$ (112,056)
Roads and bridges	(2,958,286)	-	1,227,798	(1,730,488)
Public safety	(3,989,993)	-	282,816	(3,707,177)
Health and welfare	(550,867)	-	-	(550,867)
Other	(581,051)	-	-	(581,051)
NET PROGRAM				
(DISBURSEMENTS) RECEIPTS	\$ (9,930,332)	\$ 733,481	\$ 2,515,212	\$ (6,681,639)

GENERAL RECEIPTS

Taxes	
Property taxes	\$ 1,910,772
Sales taxes	4,240,784
Interest	240,940
Other	702,681
Total General Receipts	\$ 7,095,177

Increase in Net Assets 413,538

NET ASSETS, JANUARY 1 \$ 4,807,935

NET ASSETS, DECEMBER 31 \$ 5,221,473

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

FUND FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

		MAJOR SPECIAL REVENUE FUNDS				Other	
	General	Special	Bridge	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Road and	Trust	Sales Tax	911	Governmental	Governmental
		Bridge Fund	Fund	Fund	Fund	Funds	Funds
ASSETS							
Cash and cash equivalents	\$ 1,044,396	\$ 1,100,048	\$ 1,778,580	\$ 2,439	\$ 499,089	\$ 1,464,931	\$ 5,889,483
Investments	-	-	-	-	-	430,000	430,000
Total Assets	\$ 1,044,396	\$ 1,100,048	\$ 1,778,580	\$ 2,439	\$ 499,089	\$ 1,894,931	\$ 6,319,483
FUND BALANCES							
Unreserved	\$ 1,044,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,044,396
Unreserved special revenue fund	-	1,100,048	1,778,580	2,439	499,089	-	3,380,156
Unreserved reported in nonmajor funds	-	-	-	-	-	1,894,931	1,894,931
Total Fund Balances	\$ 1,044,396	\$ 1,100,048	\$ 1,778,580	\$ 2,439	\$ 499,089	\$ 1,894,931	\$ 6,319,483

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

		MAJOR SPECIAL REVENUE FUNDS				Other	
	General	Special	Bridge	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Road and	Trust	Sales Tax	911	Governmental	Governmental
		Bridge Fund	Fund	Fund	Fund	Funds	Funds
ASSETS							
Cash and cash equivalents	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 1,768,745	\$ 4,791,473
Investments	-	-	-	-	-	430,000	430,000
Total Assets	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473
FUND BALANCES							
Unreserved	\$ 439,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,092
Unreserved special revenue fund	-	954,410	1,303,965	323	324,938	-	2,583,636
Unreserved reported in nonmajor funds	-	-	-	-	-	2,198,745	2,198,745
Total Fund Balances	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2007

	MAJOR SPECIAL REVENUE FUNDS					Other	
	General	Special Road and	Bridge Trust	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Bridge Fund	Fund	Sales Tax	911	Governmental	Governmental
				Fund	Fund	Funds	Funds
RECEIPTS							
Property Taxes	\$ 555,853	\$ 1,172,548	\$ -	\$ -	\$ -	\$ 566,726	\$ 2,295,127
Sales Taxes	1,197,700	-	1,197,401	1,197,415	894,046	-	4,486,562
Intergovernmental	478,246	881,453	775,833	301,075	-	336,800	2,773,407
Charges for services	731,303	-	-	-	-	171,407	902,710
Interest	73,072	84,951	70,026	13,330	17,570	83,936	342,885
Other	100,976	31,684	-	3,410	-	496,430	632,500
Total Receipts	\$ 3,137,150	\$ 2,170,636	\$ 2,043,260	\$ 1,515,230	\$ 911,616	\$ 1,655,299	\$ 11,433,191
DISBURSEMENTS							
General county government	\$ 1,237,775	\$ -	\$ -	\$ -	\$ -	\$ 382,913	\$ 1,620,688
Roads and Bridges	-	1,974,998	1,548,645	-	-	-	3,523,643
Public safety	697,041	-	-	2,108,114	737,465	481,484	4,024,104
Health and Welfare	72,030	-	-	-	-	530,260	602,290
Other	-	-	-	-	-	564,456	564,456
Total Disbursements	\$ 2,006,846	\$ 1,974,998	\$ 1,548,645	\$ 2,108,114	\$ 737,465	\$ 1,959,113	\$ 10,335,181
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,130,304	\$ 195,638	\$ 494,615	\$ (592,884)	\$ 174,151	\$ (303,814)	\$ 1,098,010
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 70,000	\$ -	\$ -	\$ 595,000	\$ -	\$ -	\$ 665,000
Transfers Out	(595,000)	(50,000)	(20,000)	-	-	-	(665,000)
Total Other Financing Sources (Uses)	\$ (525,000)	\$ (50,000)	\$ (20,000)	\$ 595,000	\$ -	\$ -	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	605,304	145,638	474,615	2,116	174,151	(303,814)	1,098,010
CASH BASIS FUND BALANCES, JANUARY 1	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 1,044,396	\$ 1,100,048	\$ 1,778,580	\$ 2,439	\$ 499,089	\$ 1,894,931	\$ 6,319,483

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2006

	MAJOR SPECIAL REVENUE FUNDS					Other	
	General	Special Road and	Bridge Trust	Law Enforcement	Emergency	Nonmajor	Total
	Fund	Bridge Fund	Fund	Sales Tax	911	Governmental	Governmental
				Fund	Fund	Funds	Funds
RECEIPTS							
Property Taxes	\$ 506,184	\$ 949,190	\$ -	\$ -	\$ -	\$ 455,398	\$ 1,910,772
Sales Taxes	1,133,228	-	1,132,897	566,431	841,797	566,431	4,240,784
Intergovernmental	499,460	884,447	343,351	282,816	-	505,138	2,515,212
Charges for services	579,329	-	-	-	-	154,152	733,481
Interest	77,004	47,017	17,030	28,619	11,564	59,706	240,940
Other	99,098	34,124	-	12,861	88	556,510	702,681
Total Receipts	\$ 2,894,303	\$ 1,914,778	\$ 1,493,278	\$ 890,727	\$ 853,449	\$ 2,297,335	\$ 10,343,870
DISBURSEMENTS							
General county government	\$ 1,262,741	\$ -	\$ -	\$ -	\$ -	\$ 587,394	\$ 1,850,135
Roads and Bridges	-	1,948,568	1,009,718	-	-	-	2,958,286
Public safety	748,956	-	-	2,152,734	592,463	495,840	3,989,993
Health and Welfare	70,867	-	-	-	-	480,000	550,867
Other	-	-	-	-	-	581,051	581,051
Total Disbursements	\$ 2,082,564	\$ 1,948,568	\$ 1,009,718	\$ 2,152,734	\$ 592,463	\$ 2,144,285	\$ 9,930,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 811,739	\$ (33,790)	\$ 483,560	\$ (1,262,007)	\$ 260,986	\$ 153,050	\$ 413,538
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 70,000	\$ -	\$ -	\$ 1,281,500	\$ -	\$ -	\$ 1,351,500
Transfers Out	(1,281,500)	(50,000)	(20,000)	-	-	-	(1,351,500)
Total Other Financing Sources (Uses)	\$ (1,211,500)	\$ (50,000)	\$ (20,000)	\$ 1,281,500	\$ -	\$ -	\$ -
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	(399,761)	(83,790)	463,560	19,493	260,986	153,050	413,538
CASH BASIS FUND BALANCES, JANUARY 1	\$ 838,853	\$ 1,038,200	\$ 840,405	\$ (19,170)	\$ 63,952	\$ 2,045,695	\$ 4,807,935
CASH BASIS FUND BALANCES, DECEMBER 31	\$ 439,092	\$ 954,410	\$ 1,303,965	\$ 323	\$ 324,938	\$ 2,198,745	\$ 5,221,473

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AUDRAIN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006

		<u>FIDUCIARY FUNDS</u>	
		<u>2007</u>	<u>2006</u>
ASSETS			
Cash	\$	<u>10,533,033</u>	\$ <u>7,498,941</u>
Total Assets	\$	<u><u>10,533,033</u></u>	\$ <u><u>7,498,941</u></u>
LIABILITIES			
Due to others	\$	<u>10,533,033</u>	\$ <u>7,498,941</u>
Total Liabilities	\$	<u><u>10,533,033</u></u>	\$ <u><u>7,498,941</u></u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS
STATEMENT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

As discussed further in Note 1.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

1. A. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Audrain County consists of all funds/boards that are not legally separate from the county. These boards/funds consist of the County Hospital Board Fund, Emergency Services (E911) Board Fund, and the Handicapped Services Board Fund. The Audrain County Handicapped Services Board Fund is not presented as it has its own independent audit. Funds/boards independent and legally separate from the County include the Audrain County-City Health Unit. It has a separate governing board and meets the criteria of being its own primary government. In determining the financial reporting entity, the county complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county. Based on application of the above criteria, the county has no component units.

1. B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements display information about the County as a whole. These statements include the financial activities of the primary government, except for the activities of the fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. The County has no business-like activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The County has no proprietary funds but does have fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County and meets the following criteria:

- a. Total assets, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category, and
- b. Total assets, revenues or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

The County's financial statements are structured into two categories of funds – governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds consist of the following:

GOVERNMENTAL FUNDS:

General Fund:

The General Fund is the primary operating fund of the county and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the county. The following special revenue funds are considered major funds of the county.

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Bridge Trust Fund: This fund accounts for intergovernmental receipts that are legally restricted to disbursements for road and bridge purposes.

Law Enforcement Sales Tax Fund: This fund accounts for sales taxes and other receipts that are legally restricted to disbursements for law enforcement purposes.

Emergency 911 Fund: This fund accounts for charges for services and other receipts that are legally restricted to disbursements for emergency 911 purposes.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

The special revenue funds of the county not considered to be major funds are aggregated as other nonmajor governmental funds.

Separate from major funds and aggregated nonmajor funds are the fiduciary funds. Fiduciary funds account for assets held by the county elected officials as a trustee or an agent for individuals, private organizations, or other governments. Fiduciary fund reporting focuses on net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

1. C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Audrain County, Missouri, has implemented a new financial reporting model, as required by the provisions of GASB Statements No. 34 and No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2005.

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and fund balance are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the cash basis of accounting. This basis recognizes amounts when received or disbursed in cash. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred. If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

Property tax receipts are recognized when the County Treasurer receives them from the County Collector instead of when received by the County Collector. Some other lesser receipts from other County officials are also recognized only when received by the Treasurer. This practice is a departure from cash basis accounting and is followed by all third class counties (the counties with the smallest revenue base) in Missouri. Cash basis accounting requires all receipts be recognized in the County's funds when received instead of when turned over to the County Treasurer. This practice of late recognition is consistent between years and is largely completed by the end of January each year.

1. D. ASSETS AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and all nonnegotiable certificates of deposit.

INVENTORIES AND CAPITAL ASSETS

Inventories include office, housekeeping, and road maintenance supplies. Capital assets consist of land, buildings, furniture and equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

LONG-TERM DEBT

Long-term debt arising from cash transactions are recorded as disbursements when bond or loan principal and interest payments are made.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted".

It is the county's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Fund Financial Statements

Governmental fund equity is classified as fund balance and also may be displayed in two components; reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the county's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

General county government	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Roads and bridges	Operating grants and distributions from the state of Missouri.
Public safety	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Health and Welfare	Charges for services revenues.

All other governmental receipts are reported as general and all taxes are classified as general revenues.

1. F. INTERNAL ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Fund Financial Statements

Interfund transfers occurred primarily because they were statutorily required or allowed, such as transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund and Bridge Trust Fund or contributions of General Fund monies to the Law Enforcement Sales Tax Fund to pay for general operating costs.

1. G. USE OF ESTIMATES

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

By its nature as a local government unit, the county and the respective boards are subject to various federal, state, and local laws and contractual obligations. The following instances of noncompliance are not considered material to the basic financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of County funds in financial institutions must be secured with acceptable collateral. Information on these deposits and investments and the collateral is provided below in Note 3.A. For the purposes of analyzing risk to County funds, deposits with financial institutions include all demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit union.

2. B. BUDGETARY NONCOMPLIANCE

For the years ended December 31, 2007 and 2006, disbursements did not exceed the budgeted amounts at the legal level of control for any county major fund.

2.C. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2007 and 2006 included all respective funds of the county; however, the Special Law Bond Fund did not include the cash and investments held by the investment bank. The Emergency 911 Board did not publish its financial statements for the years ended December 31, 2007 and 2006.

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, equity, receipts, and disbursements.

3. A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Credit Risk – Deposits

The table presented below is designed to disclose the level of custodial credit risk assumed by the primary government of the County based upon how its deposits were insured or secured with collateral at December 31, 2007 and 2006. The categories of custodial credit risk are defined as follows:

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

Category 1- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the county or by its agent in its name.

Category 2- Uninsured but collateralized with securities held by the pledging Financial institution's trust department or agent in the county's name.

Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the county's name; or properly collateralized with no written and approved collateral agreement.

December 31, 2007

Type of Deposits	Total Bank Balances	Custody Credit Risk Category			
		1	2	3	
Bank deposits	\$ 5,521,483	\$ 5,521,483	-	-	Total Carrying Value
Certificates of deposit	1,425,136	1,425,136	-	-	
Total Deposits	\$ <u>6,946,619</u>	\$ <u>6,946,619</u>	<u>-</u>	<u>-</u>	\$ <u>5,889,483</u>
<u>Reconciliation to Statement of Net Assets:</u>					
Cash and cash equivalents					\$ <u>5,889,483</u>
Total					\$ <u>5,889,483</u>

December 31, 2006

Type of Deposits	Total Bank Balances	Custody Credit Risk Category			
		1	2	3	
Bank deposits	\$ 4,130,001	\$ 4,130,001	-	-	Total Carrying Value
Certificates of deposit	1,384,604	1,384,604	-	-	
Total Deposits	\$ <u>5,514,605</u>	\$ <u>5,514,605</u>	<u>-</u>	<u>-</u>	\$ <u>4,791,473</u>
<u>Reconciliation to Statement of Net Assets:</u>					
Cash and cash equivalents					\$ <u>4,791,473</u>
Total					\$ <u>4,791,473</u>

Fiduciary net assets held on behalf of various county officials were entirely covered by FDIC insurance and collateral securities at December 31, 2007 and 2006.

Investments and Custodial Credit Risk

Investments are limited by State law to the following:

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the years ended December 31, 2007 and 2006, the county's nonnegotiable certificates of deposit with maturity dates ranging from April 24, 2008 to December 20, 2008 and interest rates ranging from 3.8 to 5.1 percent are included in cash and cash equivalents. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis. The Emergency 911 Board had repurchase agreements at December 31, 2007 and 2006 of \$398,018 and \$244,890, respectively, which also are included in cash and cash equivalents.

At December 31, 2007 and 2006, the county had an investment in a U.S. Treasury note for \$430,000 held by an administrative bank for the Special Law Enforcement Jail Bond Fund. The Treasury note had an interest rate of 3.375 percent and due April 15, 2009.

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The primary government of the County has not adopted such a policy.

3. B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county. Collections for other

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

governments and remittances to those governments by the County Treasurer are accounted for in various County Treasurer's fiduciary funds.

The assessed valuation of the tangible property for the calendar year 2007 and 2006 for purposes of local taxation was \$317,274,213 and \$270,620,447, respectively. The levy per \$100 of the assessed valuation of tangible property for the calendar year 2007 and 2006 for purposes of local taxation was:

		2007		2006
General Revenue Fund	\$	0.1891	\$	0.1646
Special Road and Bridge Fund	\$	0.2811	\$	0.2878
County Hospital	\$	0.1770	\$	0.1812

The Special Road and Bridge Fund retains all tax proceeds from areas not within special road districts and also receives 20% of the tax proceeds of the general levies on four special road districts for administrative purposes.

3. C. RESTRICTED ASSETS/LONG-TERM DEBT

The County has restricted assets only to the special revenue funds at December 31, 2007 and 2006 with restricted funds for debt retirement. The County has long-term debt at December 31, 2007 and 2006 of \$3,450,000 and \$3,735,000, respectively, for the Audrain County Missouri Public Facilities Corporation Leasehold Refunding Revenue Bonds (Audrain County Missouri Law Enforcement and Correctional Facility Project, Series 2004). Interest rates on these outstanding bonds range from 1.5% to 4.6% and the bonds are due June 1, 2017. Bond principal and interest payments are recorded in the Law Enforcement Bond Fund. At December 31, 2007, the County has \$13,337 held in a Debt Service Fund, \$435,546 in a Reserve Fund, and \$307 in an Escrow Fund at the administrative bank holding the bonds.

Annual debt service requirements for the Audrain County Correctional Facility, including principal and interest as of December 31, 2007 are as follows:

Year Ended December 31,		Principal		Interest
2008	\$	295,000	\$	132,547
2009		305,000		123,090
2010		310,000		112,633
2011		325,000		101,114
2012		335,000		88,487
2013-2017		1,880,000		215,740
Totals	\$	<u>3,450,000</u>	\$	<u>773,611</u>

In addition, the County has long-term debt in the General Revenue Fund for a courthouse renovation loan. The County obtained the loan in August 2004 for \$620,000 and at December 31, 2007, the total principal amount outstanding on the loan is \$263,607.

The maturity date of the loan is January 1, 2011, and interest rates range from 3.786% to 4.137%.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3. D. INTERFUND TRANSFERS

Transfers between funds of the primary government for the years ended December 31, 2007 and 2006 were as follows:

	Year Ended December 31, 2007	
	Transfers In	Transfers Out
MAJOR FUNDS:		
General Revenue Fund:		
Special Road and Bridge Fund	\$ 50,000	\$ -
Bridge Trust Fund	20,000	-
Law Enforcement Sales Tax Fund	-	595,000
Special Road and Bridge Fund:		
General Revenue Fund	-	50,000
Bridge Trust Fund:		
General Revenue Fund	-	20,000
Law Enforcement Sales Tax Fund:		
General Revenue Fund	595,000	-
Grand Totals	\$ <u>665,000</u>	\$ <u>665,000</u>

	Year Ended December 31, 2006	
	Transfers In	Transfers Out
MAJOR FUNDS:		
General Revenue Fund:		
Special Road and Bridge Fund	\$ 50,000	\$ -
Bridge Trust Fund	20,000	-
Law Enforcement Sales Tax Fund	-	1,281,500
Special Road and Bridge Fund:		
General Revenue Fund	-	50,000
Bridge Trust Fund:		
General Revenue Fund	-	20,000
Law Enforcement Sales Tax Fund:		
General Revenue Fund	1,281,500	-
Grand Totals	\$ <u>1,351,500</u>	\$ <u>1,351,500</u>

The transfer from Special Road and Bridge Fund and Bridge Trust Fund to the General Revenue Fund is based upon a statutory authority for administrative purposes. The transfer from General Revenue Fund to the Law Enforcement Sales Tax Fund is for transferring part of the law enforcement sales tax received by the county to that fund for operations.

NOTE 4: OTHER NOTES

4. A. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

The county provides vacation leave to its employees. Full-time county employees accrue vacation leave of 5 days after the first year of service, 10 days after two years of service, 15 days after five years of service, and 20 days after fifteen years of service.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4: OTHER NOTES (CONTINUED)

Employees may not carry vacation leave over to the following year except when the employee anniversary date is within the last quarter of the year in which 1 week may be taken in the following year. Any employee with benefits leaving county service shall be compensated for unused vacation prorated on a quarterly basis.

Full-time county employees accrue personal leave (sick leave) at 8 hours monthly. Personal leave can be accumulated to a maximum of thirty-six days. Personal leave is not paid upon termination of employment with the county. Vacation and personal leave amounts are reported as disbursements when they are paid.

Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The County has not restricted any net assets or reserved any fund balance for these commitments.

OTHER POST-EMPLOYMENT BENEFITS

The county does not provide post employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

4. B. RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

Audrain County contributes to the County Employees' Retirement Fund (CERF), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERF, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERF Board of Directors. The CERF issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the report may be requested from the County Employees' Retirement System, 2121 Schotthill Woods Drive, Jefferson City, Mo 65101.

Funding Policy

Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate in it. If an employee terminates employment before attaining 8 years of creditable service, the CERF refunds the accumulated contributions to the employee. The contribution rate is set by statute.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4: OTHER NOTES (CONTINUED)

In addition, the CERF receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers' licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system. Due to a credit build up, the County did not contribute any monies to the CERF during the two years ended December 31, 2007.

LAGERS

Plan Description

Audrain County participates in the Missouri Local Government Employee Retirement System (LAGERS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute section RSMo 70.600 -70.755. As such,

it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The system's annual financial report and other disclosure information are available on the LAGERS website at www.molagers.org or by calling (800) 447-4334.

Funding Policy

Audrain County's full-time employees do not contribute to the pension plan since the plan is non-contributory with the employees' part paid by the County. The county is required to contribute at an actuarially determined rate; the current rate at December 31, 2007 is 7.7% (general) and 3.6% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members. The contribution provisions of the county are established by state statute. The county contributed \$148,237 in 2007 and \$168,987 in 2006 to the system.

4. C. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description

Audrain County offers employees the opportunity to participate in the CERF defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plan's provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute .7 percent of gross compensation to the defined contribution plan. Participation in the deferred compensation plan is voluntary and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457.

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4: OTHER NOTES (CONTINUED)

The CERF Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25 percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

4. D. RISK MANAGEMENT

The county carries commercial insurance through an insurance company for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. County management believes such coverage is sufficient to preclude any significant uninsured losses to the county.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri Counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

4. E. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2007, the Emergency 911 Board owed the city of Vandalia \$125,000 for expenses paid by the city on behalf of the board for 911 operations. The board has indicated that this amount will be paid in full during the year ended December 31, 2008.

4. F. PRIOR PERIOD ADJUSTMENTS

The cash balances of various nonmajor governmental funds as presented in the prior audit report at December 31, 2005, have been adjusted as follows as presented in total in the fund financial statements:

AUDRAIN COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4: OTHER NOTES (CONTINUED)

	2006 Beginning Cash	2006 Beginning Net Assets
Nonmajor Governmental Funds as previously stated	\$ 1,598,091	\$ 1,598,091
Correction of accounting errors-		
Cemeteries understated	97	97
Prosecuting Attorney Delinquent Tax Fund understated	282	282
Circuit Clerk Passport Fund excluded	2,400	2,400
Special Law Enforcement Bond cash and investments excluded	444,825	444,825
Total correction of errors	447,604	447,604
Nonmajor Governmental Funds as restated	\$ <u>2,045,695</u>	\$ <u>2,045,695</u>

REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Property taxes	\$ 566,000	566,000	555,853	(10,147)	\$ 557,000	557,000	506,184	(50,816)
Sales taxes	1,160,000	1,160,000	1,197,700	37,700	1,110,000	1,110,000	1,133,228	23,228
Intergovernmental	527,900	527,900	478,246	(49,654)	519,600	519,600	499,460	(20,140)
Charges for services	582,000	582,000	731,303	149,303	542,500	542,500	579,329	36,829
Interest	55,000	55,000	73,072	18,072	20,000	20,000	77,004	57,004
Other	49,500	49,500	100,976	51,476	101,500	101,500	99,098	(2,402)
Transfers in	70,000	70,000	70,000	-	70,000	70,000	70,000	-
Total Receipts	\$ 3,010,400	3,010,400	3,207,150	196,750	\$ 2,920,600	2,920,600	2,964,303	43,703
DISBURSEMENTS								
General County Government-								
County Commission	\$ 102,675	102,675	102,620	(55)	\$ 102,675	102,675	102,461	(214)
County Clerk	118,750	118,750	107,383	(11,367)	128,150	128,150	118,875	(9,275)
Elections	31,030	31,030	10,672	(20,358)	70,200	70,200	48,758	(21,442)
Buildings and grounds	277,840	277,840	246,204	(31,636)	274,240	274,240	241,591	(32,649)
Employee fringe benefits	270,500	270,500	228,588	(41,912)	275,500	275,500	247,888	(27,612)
County Treasurer	53,375	53,375	50,054	(3,321)	47,170	47,170	46,217	(953)
County Collector	90,450	90,450	90,317	(133)	95,850	95,850	85,328	(10,522)
Recorder of Deeds	95,800	95,800	89,462	(6,338)	93,790	93,790	90,969	(2,821)
Circuit Clerk	19,000	19,000	14,364	(4,636)	30,500	30,500	14,635	(15,865)
Associate Circuit Court	3,850	3,850	1,094	(2,756)	4,300	4,300	458	(3,842)
Associate Circuit (Probate)	47,450	47,450	19,397	(28,053)	28,186	28,186	21,067	(7,119)
Court Administration	17,800	17,800	16,407	(1,393)	25,000	25,000	13,091	(11,909)
Public Administrator	47,900	47,900	46,781	(1,119)	46,700	46,700	46,021	(679)
Other	18,105	18,105	17,316	(789)	9,025	9,025	7,700	(1,325)
Other General County Government	196,500	196,500	197,116	616	193,085	193,085	177,682	(15,403)
Public safety-								
Prosecuting Attorney	415,950	415,950	354,955	(60,995)	425,050	425,050	382,856	(42,194)
Juvenile Officer	325,557	325,557	316,305	(9,252)	324,400	324,400	291,736	(32,664)
County Coroner	29,673	29,673	25,781	(3,892)	28,323	28,323	26,505	(1,818)
Other - 911	-	-	-	-	50,000	50,000	47,859	(2,141)
Health and welfare	73,500	73,500	72,030	(1,470)	74,500	74,500	70,867	(3,633)
Transfers out	701,000	701,000	595,000	(106,000)	1,309,000	1,309,000	1,281,500	(27,500)
Emergency fund	91,000	91,000	-	(91,000)	87,000	87,000	-	(87,000)
Total Disbursements	\$ 3,027,705	3,027,705	2,601,846	(425,859)	\$ 3,722,644	3,722,644	3,364,064	(358,580)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,305)	(17,305)	605,304	622,609	(802,044)	(802,044)	(399,761)	402,283
FUND BALANCE, JANUARY 1	439,092	439,092	439,092	-	838,853	838,853	838,853	-
FUND BALANCE, DECEMBER 31	\$ 421,787	421,787	1,044,396	622,609	\$ 36,809	36,809	439,092	402,283

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Property taxes	\$ 1,011,200	1,011,200	1,172,548	161,348	\$ 1,003,700	1,003,700	949,190	(54,510)
Intergovernmental	870,300	870,300	881,453	11,153	898,300	898,300	884,447	(13,853)
Interest	45,000	45,000	84,951	39,951	15,000	15,000	47,017	32,017
Other	18,000	18,000	31,684	13,684	16,500	16,500	34,124	17,624
Total Receipts	\$ 1,944,500	1,944,500	2,170,636	226,136	\$ 1,933,500	1,933,500	1,914,778	(18,722)
DISBURSEMENTS								
Salaries	\$ 365,000	365,000	337,780	(27,220)	\$ 380,000	380,000	342,669	(37,331)
Employee fringe benefits	175,000	175,000	138,991	(36,009)	177,500	177,500	150,724	(26,776)
Supplies	166,000	166,000	183,221	17,221	155,000	155,000	150,026	(4,974)
Insurance	35,000	35,000	31,366	(3,634)	35,000	35,000	34,532	(468)
Road & bridge materials	122,500	122,500	131,912	9,412	85,000	85,000	90,605	5,605
Equipment repairs	65,000	65,000	73,032	8,032	50,000	50,000	61,840	11,840
Rentals	1,000	1,000	459	(541)	1,000	1,000	-	(1,000)
Equipment purchases	5,000	5,000	4,607	(393)	293,000	293,000	254,312	(38,688)
Road and bridge construction	360,000	360,000	317,062	(42,938)	320,000	320,000	198,008	(121,992)
Apportionments to Special Road Districts	480,000	480,000	521,680	41,680	500,000	500,000	420,195	(79,805)
CART Road Districts	220,915	220,915	220,914	(1)	222,311	222,311	222,311	-
Other	87,500	87,500	13,974	(73,526)	88,600	88,600	23,346	(65,254)
Transfers out	50,000	50,000	50,000	-	50,000	50,000	50,000	-
Total Disbursements	\$ 2,132,915	2,132,915	2,024,998	(107,917)	\$ 2,357,411	2,357,411	1,998,568	(358,843)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(188,415)	(188,415)	145,638	334,053	(423,911)	(423,911)	(83,790)	340,121
FUND BALANCE, JANUARY 1	954,410	954,410	954,410	-	1,038,200	1,038,200	1,038,200	-
FUND BALANCE, DECEMBER 31	\$ 765,995	765,995	1,100,048	334,053	\$ 614,289	614,289	954,410	340,121

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BRIDGE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 1,160,000	1,160,000	1,197,401	37,401	\$ 1,110,000	1,110,000	1,132,897	22,897
Intergovernmental	1,036,000	1,036,000	775,833	(260,167)	895,000	895,000	343,351	(551,649)
Interest	15,000	15,000	70,026	55,026	5,000	5,000	17,030	12,030
Total Receipts	\$ 2,211,000	2,211,000	2,043,260	(167,740)	\$ 2,010,000	2,010,000	1,493,278	(516,722)
DISBURSEMENTS								
Salaries	\$ 240,600	240,600	229,268	(11,332)	\$ 241,100	241,100	231,542	(9,558)
Office expense	10,500	10,500	5,004	(5,496)	10,500	10,500	4,657	(5,843)
Equipment purchases	5,000	5,000	-	(5,000)	175,000	175,000	142,001	(32,999)
Mileage	3,000	3,000	479	(2,521)	3,000	3,000	1,195	(1,805)
Supplies	5,000	5,000	1,880	(3,120)	5,000	5,000	2,849	(2,151)
Bridge construction	2,386,000	2,386,000	1,312,014	(1,073,986)	1,770,000	1,770,000	627,474	(1,142,526)
Transfers out	20,000	20,000	20,000	-	20,000	20,000	20,000	-
Total Disbursements	\$ 2,670,100	2,670,100	1,568,645	(1,101,455)	\$ 2,224,600	2,224,600	1,029,718	(1,194,882)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(459,100)	(459,100)	474,615	933,715	(214,600)	(214,600)	463,560	678,160
FUND BALANCE, JANUARY 1	1,303,965	1,303,965	1,303,965	-	840,405	840,405	840,405	-
FUND BALANCE, DECEMBER 31	\$ 844,865	844,865	1,778,580	933,715	\$ 625,805	625,805	1,303,965	678,160

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 1,160,000	1,160,000	1,197,415	37,415	\$ 555,000	555,000	566,431	11,431
Intergovernmental	357,000	357,000	301,075	(55,925)	325,000	325,000	282,816	(42,184)
Interest	15,000	15,000	13,330	(1,670)	5,000	5,000	28,619	23,619
Other	-	-	3,410	3,410	5,000	5,000	12,861	7,861
Transfers in	701,000	701,000	595,000	(106,000)	1,309,000	1,309,000	1,281,500	(27,500)
Total Receipts	\$ 2,233,000	2,233,000	2,110,230	(122,770)	\$ 2,199,000	2,199,000	2,172,227	(26,773)
DISBURSEMENTS								
Public Safety-								
Sheriff	\$ 887,250	887,250	860,211	(27,039)	\$ 877,550	877,550	800,645	(76,905)
Jail	998,590	998,590	930,987	(67,603)	972,475	972,475	1,033,605	61,130
Fringe benefits	335,000	335,000	316,916	(18,084)	325,933	325,933	318,484	(7,449)
Total Disbursements	\$ 2,220,840	2,220,840	2,108,114	(112,726)	\$ 2,175,958	2,175,958	2,152,734	(23,224)
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,160	12,160	2,116	(10,044)	23,042	23,042	19,493	(3,549)
FUND BALANCE, JANUARY 1	323	323	323	-	(19,170)	(19,170)	(19,170)	-
FUND BALANCE, DECEMBER 31	\$ 12,483	12,483	2,439	(10,044)	\$ 3,872	3,872	323	(3,549)

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY 911 FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Year Ended December 31,							
	2007				2006			
	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget	Original Budget	Amended Budget	Actual	Actual Over (Under) Budget
RECEIPTS								
Sales taxes	\$ 826,960	826,960	894,046	67,086	\$ 721,000	721,000	841,797	120,797
Interest	-	-	17,570	17,570	-	-	11,564	11,564
Other	-	-	-	-	-	-	88	88
Total Receipts	\$ 826,960	826,960	911,616	84,656	\$ 721,000	721,000	853,449	132,449
DISBURSEMENTS								
Public safety	\$ 826,960	826,960	737,465	(89,495)	\$ 721,000	721,000	592,463	(128,537)
Total Disbursements	\$ 826,960	826,960	737,465	(89,495)	\$ 721,000	721,000	592,463	(128,537)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	174,151	174,151	-	-	260,986	260,986
FUND BALANCE, JANUARY 1	324,938	324,938	324,938	-	63,952	63,952	63,952	-
FUND BALANCE, DECEMBER 31	\$ 324,938	324,938	499,089	174,151	\$ 63,952	63,952	324,938	260,986

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Practices

The County Commission and various county boards prepare their operating budget for various county funds under the budgetary statutes (Sections 50.525 – 50.745 of the state of Missouri. In accordance with these statutes, the following process is used to adopt the annual budget:

- a. Prior to January, the budget officer (County Clerk) and administrative officers of the various boards submit a proposed operating budget for the ensuing calendar year to the County Commission or to the applicable governing boards.
- b. Public hearings are conducted to obtain citizen comments.
- c. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission or by the applicable boards.
- d. The approved budgets for the county and applicable boards are to be submitted to the county budget officer (County Clerk) and filed with the State Auditor's Office by January 31.

The legal level of control at which total disbursements may not legally exceed appropriations is at the fund level. Budget revisions or amendments may be changed by the County Commission or applicable boards during the year in accordance with provisions of the state law, and must also be filed with the State Auditor's Office.

Basis of Accounting

The budgets are prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

SUPPLEMENTARY INFORMATION

AUDRAIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2007	2006
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
14.231	Department of Social Services- Emergency Shelter Grants Program	ERO1640792 ERO1640727	\$ 12,000 -	\$ - 12,000
U. S. DEPARTMENT OF JUSTICE				
Passed through:				
16.579	State Department of Public Safety- Byrne Formula Grant Program	2004NCD2037 2003NCD3036	7,799 -	- 62,199
16.579	Missouri Sheriff's Association- Edward Byrne Memorial Formula Grant Program	2005JAGINT002 2004NCD2037	66,986 58,528	- -
	Byrne Formula Grant Program (JAG)	2004NCD2037	-	84,081
16.580	Cape Girardeau County- Edward Byrne Memorial State and Local Law	2006DDBX0204 2000DDVX0055	95,404 -	- 77,660
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO-B004(30) BRO-B004(31) BRO-B004(32) BRO-B004(33) BRO-B004(34) BRO-B004(35)	256,797 - 4,670 164,015 331,357 -	788 315,288 1,316 938 35,000 6,248
GENERAL SERVICES ADMINISTRATION				
39.011	Passed through Office of Administration- Election Reform Payments	N/A HAVA2002FED	6,535 2,715	- 101,179
ELECTION ASSISTANCE COMMISSION				
90.401	Passed through Office of Secretary of State- Help America Vote Act Requirements Payments	N/A SC231	2,467 -	- 107,636
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
93.563	Department of Social Services- Child Support Enforcement	N/A	134,063	166,259
93.617	Department of Health and Senior Services- Polling Place Assembly	N/A	829	-
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.024	Emergency Food and Shelter Grant	N/A	243	13,635
97.042	Emergency Management Performance Grant	DOJFY2005	8,000	-
97.067	Homeland Security Grant Program	2005GETS0022	37,450	-
Total Expenditures of Federal Awards			\$ 1,189,858	\$ 984,227

N/A - Not applicable

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUDRAIN COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Audrain County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contract that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The county provided federal awards to subrecipients during the years ended December 31, 2007 and 2006 totaling \$24,000 under CFDA #14.231 and \$13,878 under CFDA #97.024.

INDEPENDENT AUDITORS' REPORTS

CASEY AND COMPANY OF COLUMBIA, L.L.C.



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August 7, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission
Audrain County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Audrain County, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Audrain County Missouri's basic financial statements and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Audrain County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying financial statement findings (07-1, 07-02, and 07-03) to be significant deficiencies in internal control over financial reporting.

MEMBER

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American
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Missouri
Society of
Certified
Public
Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audrain County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of Audrain County, Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Casey and Company L.L.C.
Certified Public Accountants
Columbia, Missouri

CASEY AND COMPANY OF COLUMBIA, L.L.C.



A Certified Public Accounting and Consulting Firm

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1 East Broadway
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August 7, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Audrain County, Missouri

Compliance

We have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2007 and 2006. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Audrain County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2007 and 2006.

MEMBER
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

The management of Audrain County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the management of Audrain County, Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri

AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGERIALS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Qualified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies material to the financial statements?	<u> X </u> yes	<u> </u> no
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Internal control over other matters:		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Control deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?		
	<u> </u> yes	<u> X </u> no

Identification of major program:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> X </u> no

**AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGERMENTS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Section II – Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

07-01 Bank Reconciliations Not Performed by County Treasurer

Condition: The County Treasurer has not performed proper monthly bank reconciliations to agree reconciled cash balances to the various funds maintained under her control. Bank reconciliations subsequently performed during the audit at December 31, 2007 and December 31, 2006 showed an unreconciled difference between the bank accounts and various county funds of \$8,008 and \$3,924, respectively, which cannot be properly identified.

Criteria: Strong internal controls over financial statements require that monthly bank reconciliations be performed to ensure the bank accounts properly reconcile to the county's fund balances.

Cause: The County Treasurer's office had much difficulty in past years to properly conduct accurate bank reconciliations and the present Treasurer has not performed monthly bank reconciliations to determine the correct reconciled bank balances to agree with the various funds' cash balances.

Effect: The cash balances of various county funds are not accurately stated.

Recommendation:

The County Treasurer properly prepare monthly bank reconciliations and to make appropriate adjustments for the unreconciled difference between the bank accounts and the appropriate county funds.

Response: The current county treasurer came in to office in January 2007. After coming into office the treasurer struggled to get the bank records reconciled and noticed that the previous treasurer had not either. Previous audit findings showed there was a difference in the bank balance and the fund ledger balances. The treasurer will receipt in the difference and move forward. Month-end reconciliations will be done monthly.

07-02 Investments and Cash held for Special Law Bond Fund not Presented by County

Condition: In 2004, the County advanced refunded the bonds for the jail. Investments and cash held by the investment bank in a debt service fund, escrow fund, and bond reserve fund have not been reflected in the County's financial statements. At December 31, 2007 and 2006, the county had a total of \$449,190 and \$456,327, respectively, which have not been reflected in the County's financial statements in the Special Law Bond Fund.

Criteria: Strong internal controls over financial statements require that all cash and investments held on behalf of the County be reflected in the County's financial statements.

Cause: The County Clerk and Treasurer inadvertently omitted the monies held by the investment bank in the county's financial statements.

**AUDRAIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Effect: The County's financial statements for the Special Law Enforcement Bond Fund was not accurately presented and materially misstated.

Recommendation:

The County should include the cash and investments held by the investment bank in its financial statements.

Response: The County did not reflect the monies held by Commerce Bank in the financial statements as these monies are not available to the county. We will report this information on future financial statements

07-03 Prior Audit Misstatements Not Recognized by County

Condition: The County did not recognize or adjust its financial statements for the prior audit adjustments that were required to be made to correct the County's financial statements.

Criteria: Strong internal controls over financial statements require that management recognize and adjust its financial statements properly for any adjustments necessary to correct its financial statements.

Cause: The County did not review its financial statements properly against the prior audit report to recognize that some adjustments were needed to properly restate the balances in a few funds.

Effect: The prior cash balances of some county funds were not accurately stated.

Recommendation:

The County should review its financial statements to ensure that all cash balances of all funds are properly stated.

Response: Going forward we will take steps to ensure all cash balances are correct.

Section III – Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**AUDRAIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Audrain County, Missouri, on the applicable findings in the prior audit report issued by the State Auditor's Office for the two years ended December 31, 2005.

The prior audit report issued for the two years ended December 31, 2005, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133**

AUDRAIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2005, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



Susan Montee, CPA
Missouri State Auditor

Mississippi County



November 2008
Report No. 2008-75

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

November 2008

The following findings were included in our audit report on Mississippi County:

Detention Center personnel could not account for \$2,860 collected from inmates between October 2006 and December 2006. Internal controls over receipts are in vast need of improvement and numerous problems with inmate account balances were found, including failure to reconcile inmate monies received to deposits and amounts posted to the inmate system, lack of reconciliations of open items to the balance in the inmate account, and not depositing intact. In addition, procedures for commissary profit calculations, various cost analyses, tracking of the transportation petty cash fund, and the changing of computer passwords are in need of improvement. Most of these conditions were noted in our prior audit report. The Sheriff responded in the prior report that the recommendations for these conditions had been implemented; however, little improvement was noted.

In addition, accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and deposits are in need of improvement. The Sheriff improperly retained fees collected for partition sales and several unidentified old guns have been held by the Sheriff for at least four years.

The salary schedule established for elected officials does not appear to comply with state law. In 2005, the salary commission approved a salary schedule, based on the years of service, for all elected officials except the County Commission. The County Commissioners' salaries did not change. The new schedule establishes the base as the maximum amount of compensation allowed by statute. It then establishes a 4 percent increase for the second and third terms of office, a 3 percent increase for the fourth through seventh terms, and a 2 percent increase for the eighth term and each term thereafter. State law allows counties to set a base salary for officials and salary increases; however, it indicates that such percentage increases shall be equal for all officials. State law also allows for a cost of living adjustment that is the same percentage for all county officials. However, the increases approved by the Salary Commission, are not based on the cost of living and were not given to all officials.

In addition, the county is not complying with the Prosecuting Attorney's legal opinion on additional salary payments to the County Clerk. The County Clerk was paid an additional \$10,189 in both 2007 and 2006 over amounts authorized by the Salary Commission. Additional compensation represents \$998 per year for serving as secretary for the Johnson Grass Board, \$3,992 per year for serving as secretary for the Road and Bridge Department, and \$5,200 per year for serving as groundskeeper. The County Commission

(over)

YELLOW SHEET

obtained a legal opinion from the Prosecuting Attorney in February 2005 which indicated that per state law, if the additional compensation is less than \$1,500 (\$5,000 as of August 2005) per year or if the compensation was made pursuant to an award on a contract made after public notice and competitive bidding, the additional compensation is allowable. However, bids were not solicited for the job of groundskeeper, for which compensation exceeded \$5,000. In addition, the county did not have documentation to indicate why the road and bridge duties would not be considered normal duties of the county clerk.

Payroll duties are not adequately segregated and an adequate supervisory review of the county's payroll system is not performed. As a result, the County Clerk's office overpaid Sheriff's Department deputies \$8,437 for overtime. Salaried employees in the Sheriff's Department do not prepare timesheets and the county did not document why they consider an employee exempt from the Fair Labor Standards Act (FLSA).

The Senate Bill 40 Board's budgetary practices are in need of improvement. The Senate Bill 40 Board has continued to accumulate a significant cash reserve without any documented specific plans for its use. The board had a cash balance of \$1,260,859 and \$1,203,891 at December 31, 2007 and 2006, respectively. The board consistently spends less than they receive in property taxes each year. In addition, bids were not solicited for a \$28,000 sawdust trailer, approval of bills is not documented, and invoices are not always canceled upon payment. Also, meeting notices and agendas are not prepared for regularly scheduled board meetings and the minutes are not signed.

The County Collector does not refund tax overpayments from the partial payment account on a timely basis and does not have current written agreements with various cities for providing property tax collection services. Surtax and interest collections were improperly distributed for the year ended February 29, 2008, and the 2006 annual settlement was not filed with the County Commission until 2008. In addition, the County Collector does not reconcile the composition of receipts to the composition of the bank deposits.

Also included in the report are recommendations related to the county's budgetary practices, public records policy, capital asset records, computer controls, Juvenile Office procedures, and the Prosecuting Attorney's and Public Administrator's accounting controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

MISSISSIPPI COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Mississippi County

We have audited certain operations of Mississippi County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan, Certified Public Accountant, PC, has been engaged to audit the financial statements of Mississippi County for the year ended December 31, 2007, and Brown and Thomas, Certified Public Accountants, PC, previously audited the financial statements of Mississippi County for the year ended December 31, 2006. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations

of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Mississippi County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Chris Vetter
Audit Staff:	Katie Twiehaus
	Robert H. Graham

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MISSISSIPPI COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Statutory Salaries
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The salary schedule established for elected officials does not appear to comply with state law. In addition, the county is not complying with the Prosecuting Attorney's legal opinion on additional salary payments to the County Clerk.

- A. The Mississippi County Salary Commission has approved a salary schedule for some elected officials that does not appear to comply with state law. In 2005, the salary commission approved a salary schedule, based on the years of service, for all elected officials except the County Commission. The County Commissioners' salaries did not change. The new schedule establishes the base as the maximum amount of compensation allowed by statute. It then establishes a 4 percent increase for the second and third terms of office, a 3 percent increase for the fourth through seventh terms, and a 2 percent increase for the eighth term and each term thereafter. The schedule does not appear to comply with Section 50.333, RSMo, and the county could not provide a written legal opinion stating why the salary schedule would be allowed.

Section 50.327, RSMo, allows counties to set a base salary for officials and salary increases; however, it indicates that such percentage increases shall be equal for all officials. In addition, Section 50.333.12, RSMo, allows for a cost of living adjustment that is the same percentage for all county officials. However, the increases approved by the Salary Commission, are not based on the cost of living and were not given to all officials. The County Commission should consult with the Prosecuting Attorney and obtain a written legal opinion to ensure compliance with Section 50.333, RSMo, and seek reimbursement for any overpayments.

- B. The county is not complying with the Prosecuting Attorney's legal opinion on additional salary payments to the County Clerk above the amounts authorized by the Mississippi County Salary Commission. The County Clerk was paid an additional \$10,189 in both 2007 and 2006 over amounts authorized. Additional compensation represents \$998 per year for serving as secretary for the Johnson Grass Board, \$3,992 per year for serving as secretary for the Road and Bridge Department, and \$5,200 per year for serving as groundskeeper.

The County Commission obtained a legal opinion from the Prosecuting Attorney in February 2005 which indicated that per Section 105.454, RSMo, if the additional compensation is less than \$1,500 (\$5,000 as of August 2005) per year or if the compensation was made pursuant to an award on a contract made after public notice and competitive bidding, the additional compensation is allowable. However, bids were not solicited for the job of groundskeeper, for which

compensation exceeded \$5,000. In addition, the county did not have documentation to indicate why the road and bridge duties would not be considered normal duties of the county clerk. The County Commission should solicit bids for the job of groundskeeper to ensure compliance with state law. Also, the County Commission should determine whether the duties of the Road and Bridge Department secretary are separate from the duties of the County Clerk.

A similar condition was noted in the previous report.

WE RECOMMEND the County Commission:

- A. Review the current salary schedule with legal counsel to determine whether the schedule complies with state law and seek reimbursement for any overpayments.
- B. Solicit bids or hire employees for the duty of groundskeeper and determine whether the additional duties for the Road and Bridge Department are separate from the duties of the County Clerk.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *The current salary schedule of Mississippi County will be reviewed with legal counsel to determine compliance with state law and should the salary schedule not be in compliance, a revised schedule will be adopted at the next meeting of the Mississippi County Salary Commission.*
- B. *We are satisfied with the current arrangement of the County Clerk performing extra duties for additional compensation. We are of the opinion that the arrangement saves the county money by avoiding the hiring of additional staff to perform these functions, as well as having a person with the expertise to perform quality work in each of the mentioned areas.*

AUDITOR'S COMMENT

- B. Paying the County Clerk for groundskeeper duties in excess of \$5,000 without soliciting bids appears to violate state law. In addition, the county has no assurance they are receiving the best price on these services. The County Commission should solicit bids for the groundskeeper duties and determine whether the Road and Bridge duties would be considered part of the County Clerk's normal duties in order to avoid any appearance of impropriety.

The county's budgetary practices are in need of improvement.

- A. On December 27, 2007, the County Commission amended the Law Enforcement Fund budget to reflect approximately \$20,000 in unexpected disbursements made earlier in the year related to computer upgrades at the Detention Center. Amendments approved after disbursements have been made do not allow for the budget to be used as an effective management tool.

It was ruled in *State ex. rel. Strong v. Cribb*, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- B. The approved budget documents did not adequately project anticipated disbursements for the Drainage District Funds or the Johnson Grass Fund for the years ended December 31, 2007 and 2006. The budgets significantly overestimated disbursements and, as a result, the actual ending cash balances were much higher than the projected ending balances. For example, disbursements in 2007 for maintenance were budgeted at \$44,500 and \$39,000 for Drainage District #32 and Drainage District #30, respectively; however, there were no disbursements for either district. The County Commission indicated they intended to spend monies on maintenance for the drainage districts; however, similar amounts were also budgeted in 2006 without being spent. Budgeted disbursements for the Johnson Grass Fund were over \$40,000 greater than actual disbursements in 2007 and 2006.

For the budget documents to be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, disbursements, and ending cash balances. The practice of routinely budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over disbursements.

- C. The ending cash balance of the Johnson Grass Fund substantially exceeds annual disbursements. The cash balance of the Johnson Grass Fund increased from \$50,370 at December 31, 2005, to \$136,329 at December 31, 2007, while disbursements totaled \$24,824 and \$26,275 during the years ended December 31,

2007 and 2006, respectively. The budget document did not note any future plans for these funds.

To ensure the adequacy of the budget document as a planning tool and to fully inform citizens of plans for tax monies, the County Commission should determine its future financial needs and clearly document any future plans for these monies in the budget. In addition, the County Commission should consider reducing future tax levies.

WE RECOMMEND the County Commission:

- A. Ensure budget amendments are made prior to incurring the actual expenditures.
- B. Ensure that budgets provide a reasonable estimate of each fund's receipts, disbursements, and ending cash balances.
- C. Review the future financial needs for the Johnson Grass Fund with the Johnson Grass Board and consider lowering future tax levies. If plans have been made for expending the accumulated fund balances in the Johnson Grass Fund, such plans should be set forth publicly in the budget document.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We feel that amendments to the budget were in conformance with the state law as funds were not over-expended until after budget amendments were adopted.*
- B. *We do provide reasonable estimates of each fund's receipts; however, we will attempt to provide a more reasonable estimate of disbursements in the several drainage district funds and the Johnson Grass Fund.*
- C. *We have reviewed the financial needs of the Johnson Grass Fund and have already begun a more comprehensive program of eradicating noxious weeds in the county.*

3.

Payroll Controls

Payroll duties are not adequately segregated and an adequate supervisory review of the county's payroll system is not performed. As a result, the County Clerk's office overpaid Sheriff's Department deputies \$8,437 for overtime. Salaried employees in the Sheriff's Department do not prepare timesheets and the county did not document why they consider an employee exempt from the Fair Labor Standards Act (FLSA).

- A. Payroll duties are not adequately segregated and an adequate supervisory review of the county's payroll reports and payroll checks was apparently not performed, allowing calculation errors to go undetected. The Deputy County Clerk handles all payroll duties, except for the Road and Bridge Department. This includes reviewing timesheets, record keeping, disbursing payroll checks, and distributing employee W-2 forms.

The County Clerk's office has been incorrectly calculating overtime for Sheriff's Department deputies since June 2006. As of April 1, 2008, overpayments totaling \$8,437 have been made. Deputies are paid overtime for time worked in excess of 171 hours in a 28 day cycle as required by the FLSA. Overtime hours were included in both the regular and overtime pay calculations instead of only the overtime pay calculations, thus the overtime hours were paid at two and a half times rather than one and a half times the regular rate. The deputies did not question the amounts and the calculation error was not discovered until we brought this matter to the attention of the County Clerk.

A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of error. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employee timesheets by an independent individual would provide supervisory review and minimize the risk of errors going undetected.

- B. Timesheets are not prepared by salaried employees of the Sheriff's Department. The County Clerk pays these employees the same amount each pay period unless told otherwise by the employees' supervisor. County policy states all employees are to record their attendance each work day. Detailed time sheets document hours actually worked, provide information necessary to monitor overtime, leave and compensatory time usage and balances, and are beneficial in demonstrating compliance with county policy and FLSA requirements. Time sheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office.
- C. In September 2007, the County Commission approved additional after-hour duties for a deputy county clerk, for which she received a one time payment of \$1,000 to construct the county's website plus \$25 per month to maintain it. The clerk is not paid overtime for the additional time worked over 40 hours per week and the additional time is not reflected on her timesheets. As a result, the County Commission cannot provide documentation to support the additional payroll amount. The County Commission did not document why they consider this employee exempt from the FLSA.

This situation may not comply with the FLSA, which states hours worked in excess of 40 hours each week shall be considered overtime and paid out at the rate of time and a half. The county is required to account for and either pay overtime

or allow compensatory time off for nonexempt employees. The county should obtain a written legal opinion to ensure compliance with the FLSA.

WE RECOMMEND the County Commission:

- A. Require duties of recording, calculating, and disbursing payroll to be adequately segregated. At a minimum, there should be documented supervisory reviews of the payroll system. In addition, the County Commission should ensure the overtime error noted is corrected on future payrolls.
- B. Require all employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- C. Consult with legal counsel to ensure the actions taken are in compliance with the FLSA.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *The County Clerk has already implemented procedures whereby the duties of recording, calculating, and disbursing payroll is segregated. In addition the County Clerk has developed a computer software program for the calculation of regular and overtime hours for law enforcement personnel that will ensure accurate calculation of overtime hours for future payrolls.*
- B. *We presently require all employees, both exempt and non-exempt, to prepare timesheets to be signed by the employee, approved by the applicable supervisor, and signed with the County Clerk's signature.*
- C. *We followed the guidelines of the Fair Labor Standards Act in paying an employee for work done outside the regular scope of her county employment.*

AUDITOR'S COMMENT

- C. Developing and maintaining the county website could be considered part of the deputy clerk's regular duties. The County Commission should consult with legal counsel to ensure the county is in compliance with the FLSA.

4.**Public Records Policy**

The county does not have a formal written policy regarding public access to records. In addition, the County Clerk indicated he charges 25 cents for the first page and 10 cents for each additional page for copies of county records; however, the county has no documentation showing how this rate complies with state law. A formal policy regarding access and obtaining copies of county records would establish guidelines for the county to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making county records available to the public. Section 610.026, RSMo, provides that fees for copying public records shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body.

WE RECOMMEND the County Commission develop a formal policy regarding procedures to obtain public access to, or copies of, public county records, and maintain documentation to support the fees charged and compliance with state laws.

AUDITEE'S RESPONSE

The County Commission indicated:

We have developed and adopted a formal policy regarding procedures to obtain public access to or copies made of public county records and maintain documentation to support the fees charged.

5.**Capital Assets**

County capital asset records and procedures are in need of improvement. The county's property records and physical inventory procedures are not adequate and some departments did not perform inventories or provide reports to the County Clerk. In addition, the county has not established a cellular telephone policy.

- A. The capital asset records maintained by the County Clerk are not always updated. Each year the County Clerk sends a memo to all county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. If the established deadline is not met, reminders are sent to the non-responding departments via email; however, the County Clerk does not maintain documentation of the email correspondence.

Physical inventory reports were not completed and submitted to the County Clerk's office by some departments. The County Treasurer, Road and Bridge Department, Assessor, Drug Court, Juvenile Office, Public Administrator, and Coroner did not perform inventories or submit reports for 2007. Also, the inventory report for the Sheriff's Department was not on file with the County Clerk. As a result, some capital asset additions have not been added to the capital asset records. Because some departments are not providing the required physical inventory reports, the County Clerk's ability to verify additions and dispositions is hampered, the completeness and accuracy of the overall county property records is questionable, and the county's overall monitoring of county property is less effective. In addition, insurance coverage changes may not be made timely for new property items or dispositions, resulting in either unprotected assets or unnecessary insurance costs.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. An explanation of material changes from the previous inventory is to be attached to the department inventory reports.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets.

B. Although the county has a capital asset policy, not all required procedures are performed. The following problems were noted:

- Some capital assets are not properly tagged or otherwise identified as county property. Property control tags should be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.
- Written authorization is not obtained from the County Commission for the disposition of capital assets.
- Disposition information such as dates, amounts, and means of disposal are not always recorded by the county officials in the county capital asset records.

In addition, the county does not have procedures in place to track capital asset purchases and reconcile the purchases to the capital asset records. This lack of monitoring increases the possibility of theft occurring without detection, and

capital assets could be purchased or disposed of without proper modifications to the county's insurance coverage.

Adequate capital asset records and monitoring procedures are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. Procedures to promptly identify, tag, and insure new capital asset items are necessary to properly protect county assets. The County Commission should develop procedures to ensure the capital asset policy is followed.

- C. The county does not have a formal policy regarding cellular telephone usage or guidelines to determine when a cellular telephone is needed or of benefit to the county. The county spent approximately \$9,500 and \$7,750 for cellular telephone usage in 2007 and 2006, respectively.

The county should adopt a written cellular telephone policy. This policy should provide criteria for determining which employees need a cellular telephone and proper use of county telephones.

Conditions similar to A and B were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Work with the County Treasurer, Sheriff's Department, Road and Bridge Department, Assessor, Drug Court, Juvenile Office, Public Administrator, and Coroner to ensure physical inventories are conducted and submitted to the County Clerk's Office.
- B. Ensure procedures established for tagging new capital assets throughout the year are properly followed by the officials and departments. In addition, the County Commission should ensure written authorization is obtained for the disposition of capital assets, the capital asset list is updated with the appropriate disposition information, and capital asset purchases are tracked and reconciled to capital asset records.
- C. Develop a cellular telephone policy regarding the use of cellular phones including an assessment of which employees need a cellular telephone and procedures to monitor their use.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will work with all departments to ensure that physical inventories of capital assets are conducted and reports are submitted to the County Clerk in a timely fashion.*

- B. *This recommendation is wholly contained in the County's Capital Asset policy that was adopted following the last state audit. The Commission will ensure policy standards are adhered to and reconciliations of capital assets purchased to additions are performed.*
- C. *We have developed and adopted a cellular telephone policy regarding the use of cellular phones.*

The Juvenile Detention Center Superintendent and Juvenile Court Administrator indicated:

- A. *We will make sure inventory reports are submitted to the County Clerk.*

The County Treasurer indicated:

- A. *The inventory report for 2007 has now been submitted and reports will be submitted timely in the future.*

The Assessor indicated:

- A. *We will implement this recommendation for 2008.*

The Public Administrator indicated:

- A. *I will send the 2008 report to the County Clerk.*
- B. *I will make sure to get tags and update the list for dispositions . Everything is tagged in my office and I will continue to do so in the future.*

The Sheriff indicated:

- A. *The 2007 inventory report was sent to the County Clerk.*
- B. *We will update the inventory list and get a tag each time an asset over \$1,000 is purchased, and we will also update the list when assets are disposed.*

6. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction. Password procedures, backup procedures, and computer security systems are not adequate in some county offices.

- A. Access to computer systems and data is not adequately restricted to only authorized users. Although the County Clerk, County Collector, County Treasurer, and Assessor require the use of passwords to access the mainframe computer system, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised

passwords. In addition, all employees in the County Collector's office use the same password and user IDs and passwords are not required for a separate program used by the Assessor. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict employees' access to only those computer systems and data files needed to accomplish their jobs. Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

- B. A security system is not in place in the offices of the County Clerk, County Collector, County Treasurer, and Assessor to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on the system and, if successful, have unrestricted access to programs and data files. In addition, the computers in these offices do not shutdown after a certain period of inactivity.

To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries and shutdown the system after a certain period of inactivity. Such a system should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

- C. Backup disks are not always stored at a secure off-site location. While backups are prepared for the County Collector's and Assessor's offices, the backups are stored in the County Collector's vault instead of off-site. Failure to store computer backup disks at a secure off-site location results in the backup disks being susceptible to the same damage as the data on the computer. Preparation of backup disks, preferably on a daily or at least weekly basis, along with off-site storage, would provide increased assurance that county data could be recreated if necessary.
- D. The County Collector and Assessor both have the capability to make changes to all property tax records for additions and abatements. Since the County Collector is responsible for collecting taxes, she should not have the capability to make changes to the actual tax data. While there was no evidence that the County Collector and Assessor made unauthorized changes to the property tax records, the capability to make changes weakens controls over the accountability of property tax charges and collections. A control should be installed in the computer system to limit the County Collector's and Assessor's access to only the computerized property tax data needed to perform their duties.

WE RECOMMEND the County Commission:

- A. Work with the County Clerk, County Collector, County Treasurer, and Assessor to require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Work with the County Clerk, County Collector, County Treasurer, and Assessor to implement a security system to detect and report incorrect log-on attempts after a certain number of tries and shutdown their computers after a certain period of inactivity.
- C. Ensure backup disks are stored in a secure off-site location.
- D. Revise the property tax system to limit the County Collector's and Assessor's access to only the computerized property tax data needed for their office.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *We will work with the Collector, Treasurer, and Assessor and require passwords be changed on a regular basis to prevent unauthorized use of the county's mainframe computer system.*
- B. *We will contact the county's mainframe computer software engineer and request that a security system be implemented to prevent unauthorized access to the computer system and to shutdown the system following a certain period of inactivity.*
- C. *We will require all users of the mainframe computer system to store backup disks at a secure off-site location.*
- D. *We will contact the county's mainframe computer software engineer and request a change to the software to prevent the Assessor and Collector from being able to access the other's computerized property tax data.*

The County Treasurer indicated:

A&B. I will discuss this with the County Commission to determine what should be done.

The Assessor indicated:

A. I will look into getting passwords changed bi-annually.

B&D. I will discuss these recommendations with our computer programmers.

The County Collector indicated;

A,B,

- D. *I will work with the County Commission to determine what should be done for these recommendations.*
- C. *This recommendation will be implemented.*

7. Detention Center Accounting Controls and Procedures

Detention Center personnel could not account for approximately \$2,860 collected from inmates between October 2006 and December 2006. Internal controls over receipts are in vast need of improvement and numerous problems with inmate account balances were found. In addition, procedures for commissary profit calculations, various cost analyses, tracking of the transportation petty cash fund, and the changing of computer passwords are in need of improvement. Most of these conditions were noted in our prior audit report. The Sheriff responded in the prior report that the recommendations for these conditions had been implemented; however, little improvement was noted.

The Detention Center maintains a bank account for inmates housed in the center. The Detention Center processed receipts intended for inmates of approximately \$200,000 and \$175,000 during the years ended December 31, 2007 and 2006, respectively.

- A. Detention Center personnel could not account for monies received totaling approximately \$2,860, collected for deposit to the inmate bank account between October 2006 and December 2006. (See Appendix for a complete list of unaccounted for receipts.) Receipt slips were issued and the amounts were posted to each inmate's account in the Detention Center's inmate accounting computer system; however, these monies could not be traced to deposits. It appears poor internal controls have contributed to these unaccounted for monies going undetected.
1. Reconciliations are not performed for inmate monies. Receipts are posted to the inmate accounting system by the dispatchers who also collect these monies. However, a reconciliation of amounts posted to the system and receipt slips issued and amounts deposited is not performed. In addition, the composition of the receipt slips issued is not reconciled to the composition of deposits.
 2. The numerical sequence of receipt slips is not accounted for properly and some receipt slips were incomplete. Numerous receipts slips were missing information such as the date of receipt and the amount. There were also instances of multiple receipt slip books used simultaneously and receipt slips issued out of order within the receipt slip books.

To ensure all monies received are properly recorded and deposited, the inmate accounting system must be reconciled to receipt slips, the composition of receipt slips must be reconciled to deposits, and the numerical sequence of receipt slips

issued should be accounted for properly. By not providing adequate oversight and implementing strong internal controls, Detention Center officials placed inmate funds at risk, resulting in the unaccounted for monies. A review of other months should be performed to determine whether other monies are unaccounted for. In addition, the Sheriff should ensure the unaccounted for monies are properly investigated and any necessary legal recourse is taken. The implementation of the following additional recommendations would strengthen internal controls over these monies.

- B. Some monies were not deposited intact. In addition, checks and money orders are not always restrictively endorsed immediately upon receipt. In many instances, the restrictive endorsement is not applied until the deposit is prepared. Some monies were apparently left in the locked box for several months before being deposited and numerous examples of inmates being refunded their money in cash when they were released were noted. The inmates sign a statement to document they were paid cash upon release. It is possible that some of the unaccounted for receipts noted in part A could have been paid in cash to an inmate who failed to sign a statement.

To ensure monies received are properly deposited and reduce the risk of loss or misuse of funds, monies should be deposited intact daily, and checks and money orders should be restrictively endorsed immediately upon receipt. Additionally, when inmates are released, they should be issued a check for their account balance instead of given cash.

- C. The following problems were noted with the inmate account:
 - 1. Monthly listings of open items (liabilities) are not reconciled to cash balances. An open items listing is currently generated each month; however, it is not used to perform needed reconciliations. At March 31, 2008, inmate balances on the open items listing totaled \$4,467 and the amount of commissary vending monies to be turned over to the County Treasurer totaled \$8,485. The reconciled cash balance for the inmate bank account was \$10,861, which is \$2,091 less than total open items. Contributing to the problem is that prior to August 2007, bank reconciliations were not performed and a running checkbook balance was not maintained. The unaccounted for monies (noted in part A), the \$6,000 distributed to the County Treasurer (noted in part C.3), and the errors noted in the amounts distributed to the County Treasurer (noted in part D) could have contributed to this difference. In addition, the amounts absorbed into the account (noted in part C.4) would affect the difference. Monthly reconciliations of liabilities and individual inmate accounts to the reconciled bank balance are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. In addition, the difference in the bank account should be investigated and appropriate action taken.

2. Disbursements are posted to the inmate accounting system from the inmates' commissary and medical requests and checks issued upon a prisoner's release. A reconciliation of disbursements posted to the inmate system to checks issued is not performed.

To ensure disbursements are properly handled and recorded, the total disbursements posted to the inmate accounts each month should be reconciled to the total checks written. In addition, this reconciliation would ensure the proper amounts were disbursed to the County Treasurer each month (see part D).

3. At March 31, 2008, 193 inmates had closed accounts indicating that the inmates were released from the Detention Center; however, the balance of their commissary accounts had not been disbursed. The total balance of these 193 accounts was \$3,254. Some of the inmates had been released as early as 2002. These closed account balances create additional and unnecessary record keeping responsibilities. In addition, in February 2008, approximately \$6,000 was transmitted to the County Treasurer in an attempt to reduce the balance of the inmate bank account and turn over old outstanding checks. However, only a little more than \$2,000 of this amount could be identified to a specific inmate. The monies were placed in the Law Enforcement Fund as commissary revenues instead of being transmitted to the state's Unclaimed Property Section. Detention Center personnel did not provide the County Treasurer with any type of report identifying these monies.

An attempt should be made to locate the prior inmates with old commissary account balances. If the inmates cannot be located, the amounts should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo. In addition, account balances should be disbursed to inmates upon their release from the Detention Center.

4. Detention Center officials indicated that when an inmate is released and the inmate's account balance is less than \$2, the account is closed and left in the inmate bank account instead of being disbursed. The Detention Center does not maintain records of these amounts to determine the total held in the inmate account. The Sheriff should work with the County Commission to determine the proper disposition of these monies.
- D. The Detention Center does not periodically calculate the profit of items sold in the commissary to ensure the amounts received are reasonable. An official indicated that all items are marked up 200 percent; however, a review of the March 2008 commissary purchases showed that most items are marked up between 20 and 50 percent. There are several items, such as certain drinks, snacks, and playing cards on which the center is actually losing money. In addition, it appears the monthly

turnover of vending sales to the County Treasurer is not always correct. For example, the center transmitted \$2,996 for March 2008. Based on a review of sales for March 2008, it appears \$3,367 should have been transmitted. Transmitting the incorrect amount each month contributes to the unidentified difference between the open items list and the cash balance of the inmate account.

The selling price of all commissary items should be set at the same percentage over cost and the profit periodically compared to purchases to ensure the proper amount of profit is on hand. Any unusual fluctuations of profit should be investigated and explanations should be documented. In addition, the Sheriff's office should review procedures for determining the monthly total to be distributed to the County Treasurer to ensure all amounts collected for commissary sales are properly included.

E. The costs for various services were not analyzed to determine if amounts charged adequately recover all costs. Documentation could not be provided to show how the various rates were determined for the following services:

- The Detention Center charges the U.S. Citizenship and Immigration Services (USCIS) \$65 (plus 58.5 cents per mile and \$10.88 per hour for transportation of inmates), the City of Charleston \$30, and the City of Sikeston and all counties \$35 a day for each inmate housed in the center. The USCIS rate has been in effect since 2003 and all other rates since 1999.
- Inmates are charged \$10 per visit with the nurse practitioner, \$5 per visit with the staff nurse, and \$3 for any medications. The inmate completes a request form for each medical service and the respective amount is deducted from the inmate's account balance. No reconciliation is performed between the deductions and the request forms to ensure the proper amount is charged each month.
- Employees are charged \$2 per meal from the Detention Center kitchen.

By establishing rates that are not based on the actual cost of the services to the county, it is possible that the county is subsidizing the costs of these services. To ensure the center is billing at a rate that adequately recovers all costs, amounts charged for incarceration, medical services, and employee meals should be analyzed periodically and compared to billing rates. In addition, medical request forms should be periodically reconciled with the medical deductions from the inmate accounts to ensure the proper amounts are being posted.

F. A ledger documenting receipts, disbursements, and the balance of the transportation petty cash fund is not maintained. When inmates need to be transported to another facility, drivers are allowed to obtain \$100 from this fund and are required to submit purchase receipts and any remaining monies to the jail

administrator upon their return. The purchase receipts are then periodically transmitted to the county in exchange for reimbursement checks which are cashed and placed in the petty cash fund. The only record maintained is when the drivers sign a statement indicating they have obtained \$100 from the fund.

If a petty cash fund is needed, the Sheriff should ensure it is maintained on an imprest basis. In addition, a petty cash ledger should be maintained documenting receipts, disbursements, and the balance of the petty cash fund. Periodically, the cash on hand should be counted and reconciled to the ledger balance by an independent person to ensure funds are being accounted for properly, to detect errors, and to prevent the fund from being misused.

- G. The computer system and data at the Detention Center are vulnerable to unauthorized use, modification, or destruction because passwords are not periodically changed to reduce the risk of compromised passwords.

The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Conditions similar to parts A, B, and C were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Take the necessary action to investigate the unaccounted for monies and work with law enforcement officials regarding any criminal prosecution. Additionally, the Sheriff's Department should review other months to determine whether other monies are unaccounted for, and ensure amounts posted to the inmate accounting system are reconciled to receipt slips issued, all necessary information is recorded on receipt slips issued, and the numerical sequence of receipt slips issued is accounted for properly. The Sheriff's Department should also reconcile the composition of receipt slips issued to the composition of deposits.
- B. Ensure all monies are deposited intact on a timely basis and checks and money orders are restrictively endorsed immediately upon receipt. Additionally, the Sheriff should ensure all disbursements of inmate monies are made by check.
- C.1. Ensure a listing of liabilities, including individual inmate balances, is reconciled to the reconciled bank balance on a monthly basis. In addition, the difference in the bank account should be investigated and appropriate action taken.

2. Ensure disbursements recorded on the inmate system are reconciled to checks issued each month.
 3. Ensure attempts are made to resolve unpaid balances of closed inmate accounts and inmate account balances are disbursed when an inmate leaves the Detention Center. In addition, the Sheriff should ensure the Jail Administrator adopts procedures to routinely follow up and reissue old outstanding checks and dispose of outstanding balances. If the payees cannot be located, these monies should be disposed of in accordance with state law. The Sheriff should also work with the County Treasurer to determine the proper disposition of the \$6,000 deposited to the Law Enforcement Fund.
 4. Work with the County Commission to determine the proper disposition of closed account balances of less than \$2.
- D. Require the selling price of all commissary items be set at the same percentage above cost and profits compared to purchases periodically. Any unusual fluctuations should be investigated and explanations documented. In addition, the vending sales and turnover to the County Treasurer for each month since January 2006 should be reviewed to determine whether incorrect amounts were transmitted.
- E. Work with the County Commission to periodically review the costs of boarding inmates, medical services, and employee meals and establish billing rates that are sufficient to recover costs. In addition, medical request forms should be periodically reconciled with the corresponding deductions from the inmate account balances to ensure the proper amounts are being posted.
- F. Ensure a ledger for the transportation petty cash is maintained to account for all petty cash receipts, disbursements, and cash balances.
- G. Require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *An investigation has been completed and the matter is currently going through the court system. We now account for the numerical sequence of the receipt slips and ensure all monies receipted are deposited. We will review our system to determine if a reconciliation of amounts posted can be performed.*
- B. *Deposits are now done daily and checks/money orders are restrictively endorsed immediately. All disbursements are now made by check.*

C&F. These recommendations will be implemented.

D. I have already implemented an inventory system and we will continue to use it. Any problems that arise will be investigated immediately.

E. We will evaluate the costs and adjust the billing rates if necessary.

G. I will require passwords to be changed every six months.

The County Commission indicated:

E. We will require a periodic review of the actual costs of boarding inmates in the Detention Center, medical costs provided to inmates, and employee meals to ensure that the county is, at a minimum, recovering the county's actual costs of providing these services.

8. Sheriff's Accounting Controls and Procedures
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Accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and deposits are in need of improvement. In addition, the Sheriff improperly retained fees collected for partition sales. Also, several unidentified old guns have been held by the Sheriff for at least four years.

The Sheriff's Department processes monies for all terrain vehicle and conceal and carry permits and civil fees. Receipts totaled approximately \$34,000 and \$28,000 for the years ended December 31, 2007 and 2006, respectively. Also, the department received \$84,000 and \$12,500 in partition sales for the years ended December 31, 2007 and 2006, respectively.

A. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. The office manager currently performs all of these duties. There are no documented reviews of the office manager's work by the Sheriff.

Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the office manager's work should be performed and documented.

B. The following concerns were noted regarding receipts:

1. Receipt slips issued are not reconciled to amounts deposited and the composition of receipts is not reconciled to the composition of deposits. In addition, receipt slips were not issued for some monies received, and some receipt slips were not issued immediately upon receipt of the monies. During a cash count on March 12, 2008, two checks dated March

2007 and one dated April 2007 totaling \$120 were discovered in a desk drawer. Receipt slips were not issued for the checks until the day of the cash count. Receipt slips were not issued for two \$62 receipts for conceal and carry gun permits that were deposited in December 2007. Sheriff Department personnel could not offer any explanation as to why receipt slips were not issued for these monies.

2. Monies collected are not deposited intact on a timely basis. Monies deposited in January 2008, totaling \$2,539, had been on hand more than one month, with \$388 dating back to April and May 2007. A review of December 2007 deposits revealed only one deposit totaling \$1,669 was made on December 13, 2007. The remaining receipts for December, totaling \$781, were not deposited until January 23, 2008. In addition, only two deposits averaging \$1,044 were made in December 2006.

Because receipts are not deposited timely, disbursements are sometimes made before the corresponding receipt is deposited. On April 11, 2006, the Sheriff received \$84,000 from a partition sale. A check for \$80,045 was issued to the appropriate party and cleared the bank on April 14, 2006, while the \$84,000 receipt was not deposited until April 17, 2006, resulting in the Sheriff's bank account having a negative \$79,099 balance. The Sheriff did not incur any fees for having the negative balance.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies immediately upon receipt and reconciled to amounts deposited, and deposits should be made intact on a timely basis. In addition, the composition of the receipts should be reconciled to the composition of deposits and disbursements should not be made until the corresponding receipts have been deposited.

C. The following concerns were noted during a review of partition sales:

1. The Sheriff retained a total of \$955 from two partition sales during the two years ended December 31, 2007. Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. The Sheriff should ensure that all accountable fees withheld from partition sale proceeds are properly disbursed to the county.
2. The Sheriff withheld \$402 more than allowed in accountable fees from a partition sale. The Sheriff indicated that he had relied on the individual's attorney to calculate the fees. Based on our calculation, the fees in this case should have been \$98. Section 528.610, RSMo, allows commissions of up to 2 percent on the first \$1,000 of the sales amount, 1 percent on all sums over \$1,000 but less than \$5,000, and ½ percent on all sums equal to or greater than \$5,000. This property sold for \$12,500, thus it appears the fee should have been \$98 ($\$1,000 \times 2\% + \$4,000 \times 1\% + \$7,500 \times 1/2\%$). Documentation in the case file incorrectly indicated the Sheriff's commission was 4 percent.

To ensure all accountable fees are properly collected, the Sheriff's Department should calculate the Sheriff's fees on partition sales, retain supporting documentation, and ensure the proper fees are collected and distributed.

D. The Sheriff stores several old guns in the evidence room that do not have tags identifying the case number or the original owner. According to the Sheriff, these guns were not tagged when he came into office on January 1, 2005. The owners of the untagged property cannot be identified nor can the seized property be identified to a specific case.

Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if that seized property has ceased to be useful as evidence. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

WE RECOMMEND the Sheriff:

- A. Segregate the duties of receiving, recording, depositing, and disbursing monies. If segregation of duties is not possible, at a minimum, a supervisory review of the office manager's work should be performed and documented.
- B. Ensure receipt slips are issued for all monies immediately upon receipt and deposits are made intact on a timely basis. In addition, the composition of

receipts should be reconciled to the composition of deposits and disbursements should not be made until the corresponding receipts have been deposited.

- C. Review the calculation of the partition sale fees and return any monies to be redistributed as appropriate. In addition, the Sheriff should ensure all fees from future sales are properly computed, documentation is maintained to support the calculation, and the fees are turned over to the county.
- D. Make timely and appropriate dispositions of seized property.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A&B. These recommendations have already been implemented. The Detention Center supervisor signs off on bank reconciliations.*
- C. I will stick to statute 528.610 which says the Sheriff can keep fees collected from partition sales. I will also contact the Missouri Sheriff's Association to see how this should be handled.*
- D. I feel like these guns need to be held indefinitely in case they are ever needed for an old case.*

AUDITOR'S COMMENT

- C. Attorney General's Opinion No. 108, 1970, to Holman, concludes, "It is therefore the opinion of this office that the provisions of Senate Bill No. 165 of the 75th General Assembly (Sections 57.407 and 57.409, V.A.M.S.) providing that sheriffs of the third and fourth class counties must pay all fees collected by him in civil matters and which were previously retainable by him into the county treasury apply to commissions earned and received by said sheriffs pursuant to the provisions of Section 57.280 and Section 528.610, RSMo 1959, relating respectively to receiving and paying moneys on executions and to sale of real estate for partition purposes, and such commissions must be paid into the county treasury by such officers."

9. Public Administrator's Accounting Controls and Procedures

Annual and/or final settlements are not filed in a timely manner, documentation of bank reconciliations is not maintained, and fees are not assessed against estates as required.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ended December 31, 2007 and 2006, the Public Administrator maintained bank accounts for 25 wards.

- A. Annual and/or final settlements are not filed in a timely manner. No annual settlements have been filed for 2006 and 2007. The Public Administrator has not filed final settlements for four decedent estates; these wards have been deceased from six months to three years. In addition, the Probate Court has not notified the Public Administrator to file the settlements in a more timely manner.

Section 473.540, RSMo, requires settlements to be filed annually and Section 475.290, RSMo, requires final settlements to be filed within sixty days of termination of the estate. Failure to file settlements on a timely basis for review by the Associate Circuit Judge increases the risk that errors or misuse of funds could go undetected.

- B. Bank reconciliations are not formally prepared and retained. The Public Administrator indicated he performs monthly bank reconciliations for each ward; however, the reconciliations are done on the computer system and the reconciliation is not printed or saved on the computer. Thus, no documentation of the reconciliation is maintained.

Monthly bank reconciliations are necessary to ensure bank accounts are in agreement with the accounting records and to detect errors on a timely basis.

- C. Fees are not withheld from estates. State law allows fees to be withheld and turned over to the county's General Revenue Fund when the Public Administrator receives a salary from the county. The Associate Circuit Judge indicated that most estates do not have enough income to afford fees; however, during a review of specific estates, several estates appeared to have enough monies to begin charging and collecting fees. The Associate Circuit Judge and Public Administrator should develop a written policy detailing when a fee should be applied or when a different fee basis should be used to determine the fee charged to an estate.

WE RECOMMEND the Public Administrator:

- A. And the Associate Circuit Judge ensure annual and/or final settlements are filed on a timely basis. In addition, the Associate Circuit Judge and the Probate Clerk should implement procedures to notify the Public Administrator when a settlement is due.
- B. Retain documentation of monthly bank reconciliations.
- C. And the Associate Circuit Judge develop written guidelines that identify the process for charging fees on estates.

AUDITEE'S RESPONSE

The Public Administrator and Associate Circuit Judge indicated:

- A. *We are trying to be more timely with filing annual settlements and are currently in the process of getting caught up.*
- B. *We have already implemented this recommendation.*
- C. *Estates will be reviewed to determine whether fees can be collected.*

10. Senate Bill 40 Board

The Senate Bill 40 Board's budgetary practices are in need of improvement. Bids were not solicited for a \$28,000 sawdust trailer, approval of bills is not documented, and invoices are not always canceled upon payment. In addition, meeting notices and agendas are not prepared for regularly scheduled board meetings and the minutes are not signed. The board received approximately \$205,000 and \$152,000 in property taxes and interest for the years ended December 31, 2007 and 2006, respectively.

A. The following concerns with the board's budgets were noted:

- 1. The Senate Bill 40 Board has continued to accumulate a significant cash reserve without any documented specific plans for its use. The board had a cash balance of \$1,260,859 and \$1,203,891 at December 31, 2007 and 2006, respectively. The board consistently spends less than they receive in property taxes each year.

In our audit report eight years ago, the board indicated excess reserves were being set aside to purchase a group home; however, such plans were not clearly documented. In our prior audit report four years ago, the board stated it would start documenting plans for the reserves in the budget; however, this was not done. This condition has been noted in our audit reports for over ten years.

Chapter 50, RSMo, requires the preparation of annual budgets for all funds which should present a complete financial plan for the ensuring year. Accurate and complete budgets, in addition to meeting statutory requirements, can serve as a means to evaluate financial resources and effectively monitor actual costs by periodically comparing budgeted costs to actual expenditures. Additionally, the board should determine future needs and consider reducing the tax levy.

- 2. Budgets prepared by the Senate Bill 40 Board were not accurate. The 2007 and 2006 actual property tax revenue amounts reported were

understated by \$44,041 and \$33,280, respectively. A county official indicated actual revenues were understated due to the prior board not depositing property tax checks from the county in a timely manner and due to numerous errors made by the prior board when preparing the budgets. For the budget documents to be of maximum assistance to the board and to adequately inform county residents of the board's operations and current financial position, the budget documents should be complete and accurate.

3. Actual disbursements exceeded budgeted amounts for the year ended December 31, 2006, by \$22,519. There were no formal budget amendments filed. In addition, there is no evidence that a periodic comparison of budget to actual activity is performed.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- B. Bids were not obtained for a sawdust trailer purchased for \$28,000 for a local organization. According to the Board Treasurer, the board does not solicit bids; the organization requesting payment is supposed to solicit bids. Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 (\$6,000 as of August 2007) or more from any one person, firm, or corporation during any period of ninety days. Routine use of a competitive procurement process for major purchases ensures the board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in board business. The board should require each organization to submit bid documentation for review before the purchase is made. Documentation of the various proposals received, and the board's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.
- C. The Senate Bill 40 Board does not document its approval of bills. The minutes only indicate that the board approved all of the bills. A list of approved bills is not included with the minutes. By signing the minutes and including a list of approved bills with the minutes, the board would document its approval of the list of bills for payment. In addition, invoices are not always marked as paid or otherwise canceled upon payment. Canceling invoices reduces the likelihood of duplicate payments.

- D. Copies of meeting notices and agendas were not maintained. A board member indicated that meeting notices and agendas are only prepared for meetings with special speakers, not for regularly scheduled board meetings. The Sunshine Law, Chapter 610, RSMo, requires a posting of the time, date, and place of each meeting along with a tentative agenda of the matters to be discussed. Maintaining a complete file of the meeting notices and tentative agendas would allow the board to demonstrate compliance with the law.
- E. Board meeting minutes are prepared by the Secretary; however, they are not signed by the Secretary and President. The minutes should be signed by the Secretary and President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

WE RECOMMEND the Senate Bill 40 Board:

- A.1. Review the cash balance and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- 2. Ensure the budget is prepared accurately to reflect the financial activity of the Senate Bill 40 Board and includes all information as required by law.
- 3. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office. In addition, budget to actual comparison reports should be reviewed and used when making spending decisions.
- B. Require organizations to submit bid documentation as part of the competitive procurement process for all major purchases and maintain documentation of decisions made.
- C. Document its review and approval of the bills by including a list of the bills in the official signed copy of the minutes. In addition, the board should ensure the Board Treasurer marks invoices as paid to prevent duplicate payment.
- D. Ensure meeting agendas and notices are prepared, posted, and maintained for board meetings.
- E. Ensure the board minutes are signed by the Secretary upon preparation and the President upon approval.

AUDITEE'S RESPONSE

The Senate Bill 40 Board indicated:

- A.1. *The Senate Bill 40 Board for years saved the cash reserve in hopes of building a group home in Mississippi County. Over the last two years, the board has done research, and taken surveys and interviews from many individuals and agencies to determine the need for a group home. The result of the board's efforts determined that a group home is not feasible at this time. The board has now spent months researching the possibility of an Adult Day Program instead. The board has visited two of these type programs and is ready to move ahead, but is still in the planning phase. The board has been in touch with an agency that will help the board develop an official business plan and budget for the project within the next couple of months.*

In addition, the board has entered into two new contracts with the Kenny Rogers Children's Center and the Sikeston Regional Center within the last two years to provide services for the developmentally disabled. The board continues to support the Community Sheltered Workshop whose needs have increased as well.

2. *The prior board did not intentionally deposit checks in an untimely manner. The board only met once per month, with deposits being made after the meeting. Also, the prior board did not have an appropriate accounting system in place to perform the necessary tasks and budget preparation. The board now has a QuickBooks Accounting Program to correctly post all income and expenses as well as produce reports to compare to the budget.*

The new treasurer will make more timely deposits on a weekly basis versus the once per month deposits made after the monthly meeting. A summary of the month's deposits will be presented at each meeting.

3. *The board will in the future file the necessary amendments to the budget in the County Clerk's office should this occur.*

With the new QuickBooks Accounting Program, periodic comparison of the budget to actual activity will be performed on a quarterly basis.

- B. *The board was unaware that bids for equipment were necessary for organizations the board supports financially. In the future, the board will notify supported organizations that they must present bids for any equipment or supplies that will be funded by the board for review before any payment will be made. If the organization has not selected the lowest bid, the board will ask for supporting documentation as to why.*
- C. *The board has corrected the error of not documenting the approval of bills, and failing to mark invoices as paid. All bills are now listed in the meeting minutes and signed by the president and secretary of the board. All invoices are marked paid with the corresponding check number and date the bill was paid.*
- D. *The board has corrected the error with the meeting notices and agendas. Meeting notices are provided in the window of the office and posted on the calendar of the Mississippi County website.*

- E. *The board has corrected the error of the board meeting minutes. All board meeting minutes are signed by the secretary and president.*

11. County Collector's Accounting Controls and Procedures
--

The County Collector does not refund tax overpayments from the partial payment account on a timely basis and does not have current written agreements with various cities for providing property tax collection services. Surtax and interest collections were improperly distributed for the year ended February 29, 2008, and the 2006 annual settlement was not filed with the County Commission until 2008. In addition, the County Collector does not reconcile the composition of receipts to the composition of the bank deposits.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Property taxes and other monies totaling approximately \$6,914,000 and \$6,614,000 for the years ended February 29, 2008 and 2007, respectively, were collected and distributed.

- A. A separate bank account is maintained by the County Collector to collect and hold partial payments on property taxes. As of February 29, 2008, there was \$1,944 held by the County Collector, which represented overpayments on behalf of various taxpayers. Some of the overpayments date back to 1996.

These old balances create additional and unnecessary record-keeping responsibilities. The County Collector should adopt procedures to routinely follow up on old overpayments and disburse these monies if the owners can be located. If the owners cannot be located or identified, these monies should be disposed of in accordance with state law.

A similar condition was noted in our prior report and the County Collector indicated she was in the process of implementing the recommendation.

- B. The County Collector does not have current written agreements with various cities for providing property tax collection services. The County Collector withholds commissions of 1.5 percent from city tax collections. For the two years ended February 29, 2008, the County Collector received commissions totaling \$7,791 for tax collection services for the various cities. The written agreements with Anniston, Bertrand, and Wyatt were executed in 1990 and contain the incorrect withholding percentage of 5 percent. There are no written agreements with Miner, Wilson City, and East Prairie.

Section 50.332, RSMo, allows county officials, with the approval of the county commission, to perform services for cities that they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such

contracts be in writing. Current written contracts, signed by the city, the County Collector, and the County Commission should be prepared.

- C. Surtax and interest collections for the year ended February 29, 2008, were improperly distributed among various political subdivisions. The surtax distributions were based on incorrect percentages applied to various political subdivisions. The interest distributions did not include the February tax collections in the calculations. As a result of the improper calculations, various political subdivisions were over or underpaid as follows:

Political Subdivisions	Over (Underpaid)
State	\$ 2
County	17
Library	8
Johnson Grass	3
Health	(961)
Sheltered Workshop	3
Road and Bridge	18
Ambulance	15
Charleston R-1 School District	1,158
East Prairie R-II School District	(2,012)
City of Charleston	1,204
City of East Prairie	550

Section 139.600, RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. State law and various Attorney General Opinions provide for the allocation of interest to various funds. Because of the improper allocations, political subdivisions have not received the proper amount of surtax and interest collections.

- D. The annual settlement for the year ended February 28, 2006, was not prepared and filed until March 20, 2008. Neither the County Collector nor the County Clerk noticed the settlement had not been completed until the State Auditor's Office requested a copy. To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector prepare and file annual settlements on a timely basis. Section 139.160, RSMo, requires the County Collector to settle accounts with the County Commission by the first Monday of March of that year.
- E. The County Collector accepts cash, checks, and money orders for the payment of property taxes. The computer generated daily tax receipts report does not indicate the method of payment for individual receipts. As a result, the County Collector cannot and does not reconcile the composition of tax receipts to the composition of bank deposits.

To properly reconcile receipts to deposits and ensure all monies are deposited intact, the method of payment should be indicated on the computer generated daily receipt report and the composition of receipts should be reconciled to the composition of deposits.

A similar condition was noted in our prior report.

WE RECOMMEND the County Collector:

- A. Establish procedures to routinely follow up on and disburse old overpayments. If the owner cannot be located, these monies should be disposed of in accordance with state law.
- B. Work with the County Commission to obtain current written agreements with the cities for tax collections.
- C. Ensure future distributions of surtax and interest collections are properly calculated. In addition, adjustments should be made to future distributions to correct the errors noted.
- D. Prepare and file annual settlements in a timely manner.
- E. Indicate the method of payment on the computer generated daily receipt report and reconcile the composition of receipts to the composition of bank deposits.

AUDITEE'S RESPONSE

The County Collector indicated:

- A. *This recommendation has already been implemented.*
- B. *I will get current written agreements with the cities.*
- C. *This recommendation will be implemented during the next interest distribution. Surtax adjustments have already been made.*
- D. *This was an unusual circumstance and will not happen again.*
- E. *I will discuss this recommendation with the computer programmer.*

12. Juvenile Office Procedures

The Juvenile Office does not analyze incarceration costs to determine if amounts billed to other entities adequately recover all costs. In addition, the office does not maintain accounts receivable records or have a written agreement with Scott County for the

housing of juveniles. Receipts for the boarding of juveniles totaled approximately \$161,000 and \$130,000 for the years ended December 31, 2007 and 2006, respectively.

The Juvenile Detention Center was established to house juveniles located in Mississippi County. The center also houses juveniles for the Division of Youth Services (DYS) and other Missouri and Illinois counties. The various entities are billed for these services. In addition, parents are billed for a portion of Mississippi County juveniles' incarceration costs.

The Juvenile Office bills the DYS \$50, Cape Girardeau County \$60, New Madrid and Pemiscot counties \$45, Scott County \$32, Alexander County, Illinois \$80, and parents \$30 a day for each juvenile housed in the center. The state is billed \$14 a day for each juvenile from the Thirty-Third Judicial Circuit (Mississippi and Scott Counties). The current rates have been in effect since 2004. Documentation could not be provided to show how the various rates were determined. The Juvenile Office has written contracts with all entities they house juveniles for except Scott County.

Further, the Juvenile Office secretary indicated that only a small portion of the amounts billed to parents are collected, resulting in increased costs to the county. The office does not maintain accounts receivable records for amounts owed by parents. One bill is sent to parents and no follow up work is performed. The Juvenile Office secretary estimated that Mississippi County parents owe approximately \$70,000 to the county.

By establishing billing rates that are not based on the actual cost of the boarding services to the county, it is possible that the county is subsidizing the costs to house other political subdivisions' juveniles. To ensure the Juvenile Office is billing at a rate that adequately recovers all costs, incarceration costs should be analyzed periodically and compared to billing rates. In addition, procedures should be established to track and collect amounts owed to the county by parents. Also, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

WE RECOMMEND the Juvenile Office work with the County Commission to periodically review the cost of boarding juveniles and establish a billing rate for other political subdivisions that is sufficient to recover the cost of housing juveniles at the detention center. In addition, the office should maintain accounts receivable records for amounts owed to the county and obtain a written contract with Scott County for the boarding of juveniles.

AUDITEE'S RESPONSE

The Juvenile Detention Center Supervisor and Juvenile Court Administrator indicated:

There is now a written contract with Scott County. A cost analysis will be performed and billing rates will be evaluated. We will discuss accounts receivable with the County Commission regarding record keeping and collection procedures.

The County Commission indicated:

We will work with the Juvenile Detention Center in determining actual costs of incarceration of juvenile detainees and establish billing rates for other political subdivisions that, at a minimum, recover Mississippi County's actual costs of incarceration of juvenile detainees.

13. Prosecuting Attorney's Accounting Controls and Procedures
--

Accounting and bookkeeping duties are not adequately segregated and receipts are not deposited on a timely basis. Money orders are not restrictively endorsed and receipt slips are not issued immediately upon receipt. The Prosecuting Attorney's office collected bad check restitution and fees of approximately \$11,700 in both 2007 and 2006.

- A. Accounting and bookkeeping duties are not adequately segregated. One individual is responsible for receiving, depositing, and disbursing bad check monies and preparing monthly bank reconciliations. While the Prosecuting Attorney documents his review of the monthly bank reconciliation, he does not perform periodic reviews of the bad check log.

Internal controls would be improved by segregating the duties of receiving and disbursing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Receipts are not deposited on a timely basis. Deposits are made once a month. The average deposit for four months reviewed was \$658. In addition, money orders are not restrictively endorsed and receipt slips are not issued until the deposit is prepared. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited on a timely basis. In addition, money orders should be restrictively endorsed and receipt slips issued immediately upon receipt.

Similar conditions were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented on the bad check log.
- B. Deposit all monies intact on a timely basis and ensure money orders are restrictively endorsed and receipt slips issued immediately upon receipt.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *We will implement this recommendation.*
- B. *We will consider depositing on a weekly basis. We will restrictively endorse money orders immediately.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

MISSISSIPPI COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mississippi County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Capital Assets

The county did not establish a written policy related to the handling and accounting for capital assets. In addition, the county had not performed a physical inventory of its capital assets since June 2002, capital purchases were not recorded on a timely basis, and no one ensured capital asset purchases made from special revenue funds controlled by the officeholders were included on the listing.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property. In addition, equipment purchases should be reconciled to capital asset additions on a periodic basis.

Status:

Partially implemented. The County Commission has established a written policy for the handling and accounting of capital assets; however, equipment purchases are not reconciled to capital asset additions. See MAR finding number 5.

2. Statutory Salaries

The county could not provide statutory authority for the salary payments to the County Clerk above the \$37,917 authorized by the Mississippi County Salary Commission.

Recommendation:

The County Commission review this matter with their legal counsel to determine if paying the County Clerk additional salaries is in compliance with RSMo.

Status:

Partially implemented. The County Commission consulted with their legal counsel; however, they did not comply with his legal opinion. See MAR finding number 1.

3. Sheriff's Commissary Account

- A. Approximately \$40,925 was missing from the Commissary Account. While it appeared additional monies could also have been missing, the amount could not be identified due to inadequate records. In addition, some monies collected were not deposited and receipt records did not clearly document what was being deposited.
- B.1. Phone commissions paid to the county were not reconciled to the phone card sales reports. Approximately \$22,857 was due to the county in phone card sales commissions.
 - 2. Prenumbered receipt slips were not issued for the monies received for phone card sales. There was no documentation indicating monies transmitted to the Jail Assistant for deposit were reconciled with the accompanying phone card sales reports. In addition, there was no documentation of the transfer of phone monies between the various jail employees.
- C.1. The Detention Center did not have a system for tracking the profit or loss from the sale of commissary items or for recording sales. Proceeds from the commissary were deposited into the Commissary Account and were used to replenish inventory and for miscellaneous jail costs.
 - 2. The Detention Center did not maintain a running inventory of commissary items.
 - 3. One check was written to the Jail Administrator for \$500; however, documentation was not filed to show who received the monies or how they were spent. According to the Jail Administrator, the \$500 was used to cover travel expenses of other jail employees.
- D. Deposits were not made intact on a timely basis.
- E.1. Bond records were not adequate to readily determine the disposition of the bond.
 - 2. Bond forms were not issued by the Detention Center for some bonds. In addition, pertinent bond information such as an address, telephone number, and the court's name and address was not documented on the receipt slips issued.
 - 3. There was no oversight or adequate segregation of duties over bonds.

Recommendation:

The Sheriff:

- A. Review this situation and take necessary action to recover the missing monies. In addition, all monies received should be immediately recorded in the receipt records and deposited. Also, receipt records should clearly document what is being deposited and be reconciled to the deposits.
- B.1. Ensure phone commissions are paid to the county and agree with the phone sales reports.
 - 2. Ensure prenumbered receipts slips are issued for all monies received, a documented reconciliation of phone sales reports to monies deposited is performed, and the transfer of monies between the various jail employees is adequately documented.
- C.1. Develop records to adequately track profits or losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees. In addition, invoices for the replenishment of the commissary inventory and other miscellaneous purchases should be paid by the county.
 - 2. Ensure perpetual inventory records are maintained and are periodically reconciled to a physical inventory.
 - 3. Disburse all commissary monies to the county, and ensure all jail expenses are paid through normal county procedures. In addition, all travel related expenses should be submitted to the county for payment as required by policy.
- D. Ensure deposits are made daily or when receipts exceed \$100 and monies on hand are maintained in a secure location until deposited.
- E.1. Ensure bond records are adequate to allow the disposition of bonds to be readily determined.
 - 2. Utilize a bond form for all bonds received and ensure sufficient bond information is recorded, such as a bond number, the owner's name, address, telephone number, and court name and address.
 - 3. Segregate the duties of receiving, depositing, recording, and disbursing bond monies.

Status:

- A. Partially implemented. The missing monies were investigated resulting in charges being filed, and later dropped, against an employee in the Sheriff's Office. However, monies are not immediately deposited and receipts are not reconciled to deposits. See MAR finding number 7.

B.1

&E. Implemented.

B.2. Partially implemented. A documented reconciliation of phone card sales is performed; however, the transfer of monies between various jail employees is not adequately documented. Although not repeated in the current MAR, our recommendation remains as stated above.

C.1. Partially implemented. Invoices for the commissary inventory are paid by the county; however, profits or losses on the commissary operations are not adequately tracked and all profits are not turned over to the County Treasurer. See MAR finding number 7.

2. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Partially implemented. All travel related expenses are submitted to the county. However, all commissary monies are not disbursed to the county. See MAR finding number 7.

D. Partially implemented. Deposits are kept in a secure location; however, deposits are not made timely. See MAR finding number 7.

4. Detention Center's Accounting Controls and Procedures

Adjustments made to board billings and the reasons for the adjustments were not adequately documented.

Recommendation:

The Sheriff ensure the reasons for adjustment to board bills are clearly documented.

Status:

Implemented.

5. Sheriff's Inmate Account

A. The Inmate Bank Account was not reconciled with the individual inmate account balances.

B. Prenumbered receipt slips were not issued for monies received. In addition, the transfer of monies between the mail clerk and the account custodian was not clearly documented.

- C. There was no documentation to support three checks made payable to the Jail Administrator totaling \$1,347, issued in March and April 2002.
- D. Monies were disbursed to inmates in cash during the two years ended December 31, 2003.

Recommendation:

The Sheriff:

- A. Ensure the individual prisoner account balances are reconciled to the reconciled bank balances of the Inmate Account on a monthly basis.
- B. Ensure prenumbered receipt slips are issued for all monies received and the transfer of monies between the mail clerk and the account custodian is clearly documented.
- C. Ensure vendor invoices or other supporting documentation is maintained for all disbursements.
- D. Ensure all monies received are deposited to the Inmate Bank Account and disbursed by check.

Status:

A&D. Not implemented. See MAR finding number 7.

- B. Partially implemented. Prenumbered receipt slips are issued; however, the transfer of monies between employees is not clearly documented. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

6. Detention Center Payroll

- A. The Detention Center spent excessive amounts on overtime for prisoner transportation services that were not recouped through its contracts for board of prisoners.
- B. Salary payments did not agree to time records for some employees. The reasons for the adjustments or differences were not documented.
- C. There was no segregation of duties over payroll and personnel changes at the Detention Center.

Recommendation:

The County Commission and Detention Center:

- A. Review prisoner board contracts to ensure the county recoups any transportation costs incurred.
- B. Ensure amounts paid agree to the time records and are in compliance with county policy. In addition, any adjustment to time records should be clearly documented.
- C. Ensure adequate segregation of duties exists between payroll and personnel changes.

Status:

A&C. Implemented.

- B. Partially implemented. Adjustments to time records are now documented; however, amounts paid are not agreed to time records, which resulted in overpayments to some deputies. See MAR finding number 3.

7. Circuit Clerk's Accounting Controls and Procedures

- A. Three bonds totaling \$1,586 could not be accounted for properly. The receipt slips issued by the Sheriff's Department were signed by a Circuit Clerk employee indicating receipt of the bonds; however, these bonds were not receipted by the Circuit Clerk's office and could not be located in their system. The case file and ticket information of the bonds could not be located by the Circuit Clerk's office.
- B. There was no oversight or adequate segregation of duties for fees and fines collected. Manual receipt slips issued were not reconciled with daily cash reports. In addition, some monies on hand were not stored in a secure location.
- C. The Circuit Clerk did not establish adequate procedures to ensure bank accounts were sufficiently collateralized.

Recommendation:

The Circuit Clerk:

- A. Investigate the missing bond monies and take appropriate action. Establish procedures to record and account for all bond monies received from the sheriff's department by issuing a prenumbered receipt.
- B. Ensure accounting duties of receipting, depositing, and disbursing monies are adequately segregated. At a minimum, there should be a documented supervisory review of receipt slips issued to amounts deposited and of the bank reconciliation. In addition, receipts should be properly accounted for and stored in a secure location.

- C. Establish procedures to monitor and ensure adequate collateral securities are pledged at all times.

Status:

- A. Implemented. The former Circuit Clerk indicated she had turned this over to the Missouri State Highway Patrol for investigation.

B&C. Implemented.

8. Ticket Accountability

The Prosecuting Attorney's office did not account for the numerical sequence of tickets received.

Recommendation:

The Prosecuting Attorney work with the Sheriff's office to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of those bad checks, had not been established.
- C. Bad check complaints and payments were not always processed in a timely manner.
- D. Receipts were not deposited on a timely basis. Deposits were made approximately once every three months with average receipts of approximately \$1,000. Checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The Prosecuting Attorney:

- A. Ensure adequate segregation of duties exists between accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

- B. Implement procedures to adequately account for bad checks received, as well as the ultimate disposition, through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.
- C. Ensure bad check complaints and payments are processed on a timely basis.
- D. Deposit all monies intact daily or when accumulated receipts exceed \$100 and ensure checks and money orders are endorsed immediately upon receipt.

Status:

A&D. Not implemented. See MAR finding number 13.

B&C. Implemented.

10. Recorder of Deeds' Accounting Controls and Procedures

- A. The Recorder of Deeds did not have current written agreements for providing copies to abstract companies. In addition, various rates were charged for these services.
- B. The Recorder of Deeds accepted cash, checks, and money orders for the payment of fees; however, the method of payment received was not recorded in the accounting records. As a result, the composition of receipts could not be reconciled to the composition of deposits.

Recommendation:

The Recorder of Deeds:

- A. Enter into written contracts that specifically state the services to be provided and the fees to be collected for the services rendered. In addition, the Recorder of Deeds and the County Commission should develop written procedures dictating how copies of recorded documents will be sold and the amount that will be charged.
- B. Indicate the method of payment received in the accounting records and reconcile the composition of monies received to the composition of the bank deposits.

Status:

Implemented.

11. Collector's Accounting Controls and Procedures

- A. A separate bank account was maintained by the Collector to collect and hold partial payments on property taxes. As of December 31, 2003, there was approximately \$1,740 held by the Collector which represented overpayments on behalf of various taxpayers. Some of these overpayments dated back to 1996.
- B. The method of payment was not always indicated on the tax receipts and, as a result, the composition of the tax receipts could not be reconciled to the composition of deposits.

Recommendation:

The Collector:

- A. Establish procedures to routinely follow up on and disburse outstanding overpayments. If the owners cannot be located, these monies should be disposed of in accordance with state law.
- B. Ensure the method of payment received is indicated on the tax receipts and reconcile the composition of the tax receipts to the composition of the bank deposits.

Status:

- A. Not implemented. See MAR finding number 11.
- B. Partially implemented. The method of payment received is indicated on the tax receipts; however, the composition of the tax receipts is not reconciled to the composition of the bank deposits. See MAR finding number 11.

12. Health Center

- A. The Health Center did not establish adequate procedures to ensure bank accounts were sufficiently collateralized.
- B. The duties of receiving, recording, and depositing monies were all performed by the office secretaries and transactions were not reviewed for accuracy by a supervisor.
- C. Deposits were not made timely and checks were not immediately endorsed upon receipt. In addition, receipt slips were not issued in sequential order.
- D. The Health Center did not adequately monitor vacation, sick, and compensatory leave balances of its employees. In addition, overtime and compensatory time was not earned at time and a half for covered employees as required.

Recommendation:

The Health Center:

- A. Develop procedures to monitor and ensure adequate collateral securities are pledged at all times.
- B. Ensure accounting duties are adequately supervised and periodic supervisory reviews are performed and documented.
- C. Ensure deposits are made timely, checks are restrictively endorsed upon receipt, and receipt slips are issued in sequential order.
- D. Ensure that employee leave earned, taken, and the accumulated balances are reported accurately. In addition, overtime and compensatory time should be paid or accumulated in accordance with FLSA requirements.

Status:

The Health Center was not included in the scope of the current Mississippi County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

13. Senate Bill 40 Board

- A. The Senate Bill 40 Board did not maintain minutes of its board meetings.
- B. A detailed investment ledger was not maintained by the board to monitor certificate of deposit investments.
- C. The Senate Bill 40 Board accumulated a significant cash reserve which was not properly reflected on its annual budget. In addition, the budget did not indicate the board's plans for this balance.

Recommendation:

The Senate Bill 40 Board Trustees:

- A. Ensure minutes are prepared, approved, and maintained for all meetings, including closed meetings and committee meetings.
- B. Ensure an investment ledger is maintained.
- C. Prepare budgets in accordance with state law and ensure all available resources of the board are reported. In addition, the board should review the cash balance and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.

Status:

A&B. Implemented.

C. Partially implemented. The budget includes all available resources of the board; however, the plans made for the use of the accumulated fund balance are not included in the budget document. See MAR finding number 10.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MISSISSIPPI COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Mississippi County is a county-organized, third-class county and is part of the Thirty-Third Judicial Circuit. The county seat is Charleston.

Mississippi County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 13,437 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	85,877,210
Personal property		35,512,175
Railroad and utilities		11,459,706
Total	\$	<u>132,849,091</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-091.

Mississippi County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General	.0050	None	None	
Law enforcement	.0050	None	None	
Senior citizens	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:		
Jim Blumenberg, Presiding Commissioner		27,025
Homer D. Oliver, Associate Commissioner		25,026
Martin Lucas, Associate Commissioner		25,026
Judy Rolwing, Recorder of Deeds		39,520
Hubert DeLay, Jr., County Clerk (1)		56,448
Darren Cann, Prosecuting Attorney		58,260
Keith Moore, Sheriff		41,909
Sandra B. Morrow, County Treasurer (2)		45,600
Terry Parker, County Coroner		10,976
Richard "Rick" Reed, Public Administrator		20,600
Faye Elliott, County Collector (3), year ended February 28 (29),	52,783	
W.R. "Bill" Thompson, County Assessor (4), year ended August 31,		38,605

- (1) Includes \$3,991 and \$998 annual compensation for serving as secretary for the Johnson Grass Board and the Road and Bridge Department, respectively, and \$5,200 annual compensation for serving as Groundskeeper.
- (2) Includes commissions of \$688 for handling the accounts for the Drainage Districts.
- (3) Includes commissions of \$7,871 for collecting drainage and city property taxes.
- (4) Includes \$688 annual compensation received from the state.

State-Paid Officials:

Leigh Ann Colson, Circuit Clerk	51,197
T. Lynn Brown, Associate Circuit Judge	101,090

The county entered into a lease agreement with a not-for-profit corporation (NFP) in October 2001. The terms of the agreement called for the NFP to issue bonds of \$2,845,000 for the purpose of constructing a new jail and for the NFP to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. The remaining principal and interest due on the bonds at December 31, 2007, was \$1,564,083 and \$149,083 respectively. The lease will be paid with proceeds from the one-half cent law enforcement sales tax.

At December 31, 2007, the county had bonds payable of \$265,215 consisting of Leasehold Revenue Bonds dated July 1, 1997, to finance the cost of constructing, furnishing and equipping a juvenile detention facility. This project is a portion of the new jail project.

At December 31, 2007, the county had bonds payable of \$125,000 consisting of special limited obligation bonds dated May 1, 1999, to finance the costs to repair and restore a main drainage ditch, three lateral ditches and one sub-lateral ditch located in county Drainage District No. 23. Bond principal is due annually on March 1 at a rate not to exceed six percent. Revenue collected from property taxes are used to fund these bond payments.

APPENDIX

MISSISSIPPI COUNTY

Appendix

The following table lists all the unaccounted for receipts collected by the Detention Center between October 2006 and December 2006.

Receipt Slip Number	Date Issued	Amount
1710	12/28/06	\$ 20.00
1723	12/28/06	10.00
1731	12/29/06	30.00
1732	12/29/06	50.00
1733	12/29/06	10.00
1734	12/29/06	20.00
2025	11/06/06	95.00
2031	11/08/06	60.00
2075	11/17/06	10.00
2085	11/20/06	188.00
2086	11/16/06	220.00
2220	12/03/06	66.00
2222	11/30/06	120.00
2223	11/30/06	4.61
2224	11/30/06	53.00
3903	10/04/06	411.00
3921	10/06/06	10.00
3924	10/06/06	13.58
3929	10/07/06	234.50
3955	10/10/06	54.55
3970	10/11/06	60.00
3996	10/13/06	1.00
5502	10/14/06	5.00
5504	10/15/06	12.20
5515	10/16/06	10.00
5522	10/16/06	87.00
5545	10/18/06	160.00
5547	10/18/06	227.00
5548	10/18/06	150.00
5581	10/20/06	100.00
5586	10/21/06	2.96
5600	10/23/06	25.00
5603	10/23/06	32.00
5622	10/25/06	17.29
5631	10/26/06	78.48
5645	10/28/06	10.02
5690	10/31/06	20.00
5720	11/06/06	4.87
5787	11/10/06	20.00
6339	12/11/06	110.00
6396	12/16/06	16.25
6479	12/22/06	30.00
Total	\$	<u>2,859.31</u>



Susan Montee, CPA
Missouri State Auditor

Thirty Eighth Judicial Circuit

City of Ozark Municipal Division



November 2008
Report No. 2008-74

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

November 2008

An audit was conducted by our office of the Thirty-Eighth Judicial Circuit, city of Ozark, Missouri Municipal Division.

Accounting duties are not adequately segregated, and the work performed by the Court Clerk is not adequately reviewed. In addition, there is no independent reconciliation of the composition of recorded receipts to the composition of amounts transmitted to the City Treasurer, manual receipt slips do not always indicate the method of payment, and documentation is not obtained from the city upon the transmittal of monies for deposit. Also, some payments received by the court are not recorded and transmitted timely.

The municipal division does not prepare and reconcile monthly listings of open bonds to cash balances or adequately follow up on old bonds. Old outstanding checks are not properly followed-up and resolved, and insufficient fund check procedures are in need of improvement. Additionally, some court fees and interest have not been disbursed from the court's general bank account, and a monthly listing of open items is not prepared and reconciled with the balance in this account. Also, better documentation is needed to support amended charges, approval of court dockets, and fine reductions for time served.

Neither the police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued. In addition, the city does not account for the numerical sequence and ultimate disposition of summonses issued for municipal code violations.

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YELLOW SHEET

THIRTY EIGHTH JUDICIAL CIRCUIT
CITY OF OZARK
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
Ozark, Missouri

We have audited certain operations of the city of Ozark Municipal Division of the Thirty-Eighth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Ozark Municipal Division of the Thirty-Eighth Judicial Circuit.

A petition audit of the city of Ozark fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Michelle Crawford

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF OZARK
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Segregation of Duties and Receipt Procedures
--

Accounting duties are not adequately segregated, and the work performed by the Court Clerk is not adequately reviewed. There is no independent reconciliation of the composition of recorded receipts to the composition of amounts transmitted to the City Treasurer, manual receipt slips do not always indicate the method of payment, and documentation is not obtained from the city upon the transmittal of monies for deposit. Some payments received by the court are not recorded and transmitted timely.

- A. Accounting duties are not adequately segregated and there is no independent comparison of the composition of receipt slips to the composition of monies transmitted to the City Treasurer. The Court Clerk and her assistants perform duties related to collecting and recording fines, court costs, and bonds. The Court Clerk prepares the deposit slips and transmits the monies and the deposit slip to the City Treasurer to be deposited into one of the court's bank accounts (general and bond). Although the City Treasurer's office reconciles the court's two bank accounts, no one independent of the Court Clerk compares the composition recorded on receipt slips to the composition of amounts transmitted to the City Treasurer for deposit.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that the duties of receiving, recording, transmitting and reconciling court receipts are adequately segregated. At a minimum, the Municipal Judge or other personnel independent of the cash custody and record-keeping functions should periodically compare the composition of the receipt slips to the composition of the amounts transmitted to the City Treasurer.

- B. Some manual receipt slips issued by the court do not indicate the method of payment (cash, check, or money order). The municipal division issues manual receipt slips to individuals who pay fines and costs in person. Information from the manual receipt slips is subsequently recorded in the municipal division's computer system along with receipts received through the mail. To ensure the composition of all receipts can be reconciled to the composition of amounts transmitted to the City Treasurer for deposit, the method of payment should be recorded on all receipt slips.
- C. Documentation, such as a receipt slip, is not obtained from the City Treasurer when the municipal division transmits monies for deposit. To adequately

document the transfer of monies from the Court Clerk to the City Treasurer, documentation, such as a receipt slip, should be obtained which records the cash/check composition of the transmittal.

- D. Some money is not recorded or transmitted to the City Treasurer timely. For example, fines and court costs received from the defendant before the related traffic ticket is received from the city prosecutor are not recorded by the Court Clerk and transmitted to the City Treasurer until the ticket is received. Further, the Court Clerk does not record or transmit partial payments made by defendants if the initial payment is less than the amount of court costs owed (typically \$24.50). According to the Court Clerk, since the computer system applies the first payment received on a case to court costs, she is unable to post an initial payment to the computer system that is less than the court costs owed. As a result, some partial payments are held, and not recorded until another payment is received to fully cover court costs.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be recorded immediately upon receipt, and amounts should be transmitted to the City Treasurer timely. If the municipal division's computer system does not provide for these funds to be recorded, the municipal division should develop procedures to track these funds.

WE RECOMMEND the city of Ozark Municipal Division:

- A. Adequately segregate the duties of receiving, recording, transmitting, and reconciling court receipts, or if such segregation is not possible, ensure a documented periodic review of the reconciliation of the composition of recorded receipts to the composition of deposits by an independent person is established.
- B. Ensure the method of payment is documented on all receipt slips.
- C. Obtain documentation to support the transmittal of monies to the city for deposit which includes the cash/check composition of the transmittal.
- D. Record monies immediately upon receipt and transmit receipts to the city timely. Additionally, the municipal division should develop procedures to track monies received before the related traffic ticket is received and partial payment monies that are less than the court costs charged in the case.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A&C. Internal controls throughout the city (including the municipal court) have been in the process of development due to the recommendations of our independent auditors. The municipal court has implemented an internal control process requiring the segregation of

duties so that an Assistant Clerk will prepare the appropriate deposits that will then be reviewed by the Court Clerk and transmitted to the Treasurer. A receipt form will accompany any deposit transmitted to the Treasurer identifying the composition of the deposit. Alternatively, in accordance with city internal control policies, the Court Clerk may deposit directly to the city's bank. In addition, the Municipal Judge has scheduled one day per month to review all financial and procedural reports to better provide for independent reconciliation of all court procedures.

- B. The Court Clerk has reviewed the manual receipt books and the appropriate personnel have been reminded that when a manual receipt is issued, that the appropriate method of payment is to be annotated. The computerized receipts have the appropriate annotation as to the composition of payment and computerized receipts will be utilized as the primary source of recording receipts.*
- D. This particular comment identifies a particularly complicated problem, however, only in a very small percentage of cases. Police Officers provide a prospective defendant with an envelope with which to pay to the traffic violations bureau certain fines that can be paid without an appearance in court. In a small number of cases, a defendant will appear in the clerk's office with payment prior to receipt of the citation. It has been and will continue to be our policy that this defendant will be directed to return at such time as the citation is processed. In the infrequent event that a payment is received before a citation is processed, then the Clerk has been instructed to continue her practice of segregating the payment in safekeeping and associating it with the ticket when the ticket is received from the Police Department. The Clerk has contacted our computer software provider and learned that an initial payment of less than all of the court costs (\$24.50) can be received and will be allocated by the program, on an equal basis, to all of the various cost accounts. However, this allocation will create greater accounting problems than it will solve, particularly if the receipt occurs at or near the end of the month.*

Accordingly, it will continue to be the court's policy that no initial payment of less than the court costs will be received against any fine and court costs. Lastly, the Municipal Judge has requested that the Police Department speed up the citation processing and provide them to the Prosecutor in smaller batches in order to minimize the number of receipts for unprocessed citations.

2. Court Records and Procedures
--

The municipal division does not prepare and reconcile monthly listings of open bonds to cash balances or adequately follow up on old bonds. Old outstanding checks are not properly followed-up and resolved, and insufficient fund (NSF) check procedures are in need of improvement. Additionally, a monthly listing of open items is not prepared and reconciled with the general account balance, and some court fees and interest have not been disbursed from this account. Better documentation is needed to support amended charges, approval of court dockets, and fine reductions for time served. Also, passwords and/or user IDs are not kept confidential or changed periodically.

- A. A monthly listing of bond open items (liabilities) is not prepared and reconciled to the balance in the bond account. Further, the municipal division does not adequately follow up on old bonds.
- We requested the Court Clerk prepare an open items listing for May 31, 2008. The reconciled bank balance was \$13,040 and the open items list totaled \$13,194, resulting in a shortage of \$154. A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. The unidentified shortage of \$154 should be investigated and appropriate action taken.
 - At May 31, 2008, thirty bonds over one year old, totaling \$4,509, remained in the court's bond account. An attempt should be made to determine the proper disposition of these bonds. If the defendant failed to make the required court appearance, the court should determine if the bond should be forfeited and monies paid over to the city treasury as provided in Section 479.210, RSMo. If the bond is to be refunded but the payee cannot be located, Section 447.595, RSMo, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.
- B. Procedures have not been established to resolve old outstanding checks. According to the December 31, 2007, bank reconciliation prepared by the City Treasurer, seven checks totaling \$187 have been outstanding for over a year for the bond account, with some of these checks dating back to 2005.
- Old outstanding checks create an additional and unnecessary record keeping burden. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued, if possible. If a payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable period of time.
- C. The court does not have adequate procedures in place to ensure NSF checks are collected, adjustments are made to the distribution of fines and court costs, and NSF checks are added back to the defendant's computerized case files to reflect an amount still owed.
- When notices of NSF checks are received from the bank, adjustments are not made to the court's computer system to indicate that the defendant's check was returned and a payment is still due from the defendant. Restitution for NSF checks may not be received until several months after the receipt was initially collected and in some instances, restitution may never be received. To ensure

amounts due from defendants are properly tracked in the court's computer system, the amount of the NSF check should be added back to the defendant's computerized case file to reflect the amount owed.

- Adjustments are not made to deduct NSF check amounts from monthly disbursements of fines and costs to the city and state, and as of June 2008, court records showed \$979 of NSF checks for which payment has not been received. The municipal division has had sufficient funds in its account to cover the disbursement of NSF check amounts because of the account balance discussed in part D below.

To properly account for NSF checks received by the court, the Court Clerk should reduce future distributions to the city or state for the amount of NSF checks remaining uncollected.

- The court does not have a consistent policy for the collection of NSF checks and warrants have not been issued for defendants whose NSF checks remain uncollected. The court should establish a consistent policy for the collection of NSF checks, including issuance of warrants for individuals who fail to make restitution within a specified time.

- D. A monthly listing of open items is not prepared and reconciled with the general account cash balance. The general account had an unidentified balance of \$3,848 at December 31, 2007, after December fines and costs were deducted.

At our request the City Treasurer's office reviewed the general account balance and determined that \$1,246 in Court Automation Fund (CAF) fees collected between January and May 2005 were still in the account. According to court personnel, the court mistakenly assessed this fee and stopped collecting it, but did not disburse the collections. Further, interest earned on the court's general account totaling \$3,934 from January 2005 to December 31, 2007, had not been disbursed to the city.

According to the City Treasurer, the CAF fees (\$1,246) plus interest (\$3,934) less NSF checks discussed in part C above and other deductions (\$1,332) represent the unidentified balance in the general account.

A complete and accurate open items listing should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Section 488.027, RSMo, requires all monies collected for the CAF to be remitted to the state Director of Revenue and accumulated interest should be periodically turned over to the City Treasurer for deposit in the city's general account.

- E. The City Prosecutor does not always sign the amendment of charges on the ticket to indicate he reviewed and amended the charge. In addition, the Municipal Judge's authorization of the fine amount on amended tickets was not documented nor did he always sign the court dockets after case dispositions had been recorded. Further, the court sometimes posts non-cash transactions to its accounting system to reduce individual fines based on credit for jail time served; however, adequate documentation that the judge authorized the credit for time served against fines was not always in the case files.

To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign or initial all amended tickets indicating his approval, and the amount of fines on amended tickets should be authorized and documented by the Municipal Judge. In addition, all court dockets should be signed by the Municipal Judge, and the Municipal Judge's authorization to reduce fines by a credit for time served should be adequately documented.

- F. Passwords and/or user IDs which restrict employee access to the court's computer accounting system are not kept confidential or changed periodically. The Court Clerk issues and approves the user IDs and passwords of the assistant court clerks. Passwords should be kept confidential and changed periodically to prevent unauthorized access to the accounting system.

WE RECOMMEND the city of Ozark Municipal Division:

- A. Prepare monthly listings of bond open items and reconcile the listing with the balance in the bond account. Additionally, the Municipal Division should determine the cause of the \$154 shortage in the bond account, and implement adequate procedures to follow up on old outstanding bonds and dispose of them in accordance with state law.
- B. Work with the city to establish routine procedures to investigate any checks that have been outstanding for a considerable period of time.
- C. Work with the city to establish procedures to properly account for all uncollected NSF checks. Such checks should be added back to the individual's case file and adjusted from future distributions, as applicable. Further, the Municipal Division should ensure that accounting records accurately document the status of cases involving bad checks and establish a consistent policy for the collection of NSF checks which includes issuance of warrants for individuals who fail to make restitution within a specified time.
- D. Prepare a monthly listing of open items and reconcile the listing with the balance in the general account, turn all CAF fees over to the state, and disburse accumulated interest to the City Treasurer.

- E. Require the Prosecuting Attorney's signature on all amended tickets and ensure the Municipal Judge's authorization of fines on amended tickets is documented. Also, all court dockets should be signed by the Municipal Judge and authorization to reduce fines by a credit for time served should be adequately documented.
- F. Ensure passwords are kept confidential and changed periodically.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

- A. *This error occurred during the transition from the manual system to the computerized court accounting system. Since May 2006, there have been no similar errors in bond accounting. The computer does produce an "Open Bond" report and that report will be reviewed by the Judge on a monthly basis. The Judge has committed to reviewing the "Open Bond" report and making a prompt determination as to the disposition of the open bonds to include forfeitures when appropriate. No bonds have, or will be held after the final disposition of a case.*
- B. *The Clerk has been directed to review with the Treasurer any outstanding checks from the bond account. The Clerk will then make a reasonable effort to contact the payee of the check and, if there is no response, then the statutory provisions relating to unclaimed monies will be followed.*
- C. *The Clerk has been in contact with our software provider and an update in the system is available and will be installed shortly that will allow for the reversal of payments when an NSF check is received. In addition, the Prosecuting Attorney has been directed to address NSF checks with appropriate "Ten Day" letters or additional charges on a more prompt basis. Finally, the Judge will review all NSF checks, on at least a monthly basis, and will take appropriate actions regarding warrants and suspension notices for the non-payment of fines depending upon the previous action of the Prosecuting Attorney.*
- D. *The City Treasurer will prepare the appropriate "Open Balance" report on the General Revenue Fund Account on a monthly basis for review by the Judge. The CAF balance will be paid to the Director of Revenue in accordance with appropriate statutes. Interest payments (less a \$500.00 "reserve" for prospective insufficient funds checks) will be transferred immediately to the City General Revenue Fund and will be transferred at least semi-annually in the future.*
- E. *The City Prosecutor has been directed to "sign" (or otherwise annotate by initials) all amended charges and other recommendations. The Judge will annotate all final dispositions (or changes in that disposition) either on the Court file or upon the final Court Docket.*

- F. *The Clerk has been directed to change (and direct Assistant Clerks to change) their respective user IDs and passwords on a semi-annual basis and that Assistant Clerks will maintain their passwords on a confidential basis.*

3. Ticket Accountability

Neither the police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued. While the police department maintains a log of ticket books assigned to officers and has a spreadsheet containing ticket information, they are not used to track numerical sequence.

Additionally, summonses are issued by city code enforcement officers for municipal code violations; however, the city does not account for their numerical sequence and ultimate disposition.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets and summonses issued the court, police department, and city cannot be assured all tickets and summonses issued were properly submitted for processing.

WE RECOMMEND the city of Ozark Municipal Division work with the police department and city to ensure the numerical sequence and ultimate disposition of all tickets and summonses issued are accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following response:

The Municipal Court has initiated discussions with the police department and code enforcement. The police department has identified a minor programming deficiency and will address that issue. Code enforcement will account, sequentially, for all uniform citation books and accurately record the disposition for all citations issued. The Municipal Court has and will continue to maintain records of citations received and of all final dispositions of citations received.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF OZARK
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Ozark Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney Counties. The Honorable Mark Orr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At December 31, 2007, the municipal division employees were as follows:

Municipal Judge	Kenneth W. Johnson
Court Clerk	Iciminda Snook

Financial and Caseload Information

	Year Ended <u>December 31, 2007</u>
Receipts	\$384,098
Number of cases filed	3,317



Susan Montee, CPA
Missouri State Auditor

Shelby County



October 2008
Report No. 2008-73

auditor.mo.gov



Office Of The
State Auditor Of Missouri
Susan Montee, CPA

October 2008

The following findings were included in our audit report on Shelby County:

Numerous control weaknesses were noted during our review of the County Collector's procedures. Accounting duties are not adequately segregated, the composition of receipts is not reconciled to the composition of bank deposits, bank reconciliations are not prepared, and voided checks are not maintained. Procedures to prepare monthly and annual settlements are not adequate, and the annual settlement for the year ended February 29, 2008, contained errors and omissions. The County Collector does not have written agreements with the cities for which he performs property tax collection services and does not distribute some commissions in accordance with state law. The former County Collector used Tax Maintenance Fund monies to purchase computer equipment used by another county official.

The County Collector does not prepare listings of open items (liabilities) and does not reconcile open items to the cash balance. Upon our request, the County Collector attempted to reconcile the cash balance to liabilities, and at February 29, 2008, liabilities exceeded the cash balance by approximately \$2,900. The County Collector should follow up on the difference between the cash balance and liabilities, and reimburse his official account for any shortages in the account.

Property tax system procedures and computer controls need improvement. Reports of changes made to the tax records are not prepared. Neither the County Clerk nor the County Commission adequately review property tax additions and abatements. The County Clerk's account book with the County Collector is incomplete, and the County Collector's annual settlement is not reviewed for accuracy. Also, computer system security and backup procedures are not adequate.

The financial condition of the General Revenue and Special Road and Bridge Funds has declined in the past two years. The county cannot continue to spend more than is received in these funds as the cash balances are steadily declining. Consideration should be given to finding ways to increase receipts and decrease disbursements to improve the financial condition of these funds.

Also included in the report are recommendations related to capital asset records and procedures, controls over fuel usage, cellular phone policies, written contracts with organizations that receive county funds, sale of road and bridge materials, and bidding procedures.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

SHELBY COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Shelby County

We have audited certain operations of Shelby County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan CPA, PC, Certified Public Accountants, has been engaged to audit the financial statements of Shelby County for the two years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Shelby County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Deborah Whitis
	Toni Wade
	Wayne T. Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SHELBY COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Collector's Accounting Controls and Records
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Numerous control weaknesses were noted during our review of the County Collector's procedures. Accounting duties are not adequately segregated, the composition of receipts is not reconciled to the composition of bank deposits, bank reconciliations are not prepared, and voided checks are not maintained. Procedures to prepare monthly and annual settlements are not adequate, and the annual settlement for the year ended February 29, 2008, contained errors and omissions. Monthly listings of open items (liabilities) are not prepared. The County Collector does not have written agreements with the cities for which he performs property tax collection services and does not distribute some commissions in accordance with state law. The former County Collector used Tax Maintenance Fund monies to purchase computer equipment used by another county official.

The current County Collector's term of office began effective March 1, 2007, and collections for the year ended February 29, 2008, totaled approximately \$4.8 million.

- A. Accounting duties are not adequately segregated. The Deputy Collector is primarily responsible for performing all daily functions, such as receiving monies and recording receipts into the computer system, preparing deposits, and reconciling the computer system's receipts summary (daily abstracts) to deposits. There are no independent reviews of the work performed by this employee.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent review should be established.

- B. The composition of receipts is not reconciled to the composition of bank deposits. The County Collector stated payments received in cash are noted on the paid tax statements; however, the County Collector has no procedures to reconcile the composition of receipts to deposits. To ensure all monies are properly accounted for and deposited, the composition of receipts should be reconciled to the composition of the bank deposits.
- C. The County Collector does not maintain a checkbook balance and does not prepare bank reconciliations. In addition, voided checks are not maintained but are discarded by the County Collector. Upon our request, the County Collector computed the checkbook balance and prepared a bank reconciliation as of

February 29, 2008. The checkbook balance agreed to the reconciled bank balance.

The maintenance of a checkbook balance and preparation of monthly bank reconciliations are necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, to ensure all checks are properly accounted for, voided checks should be mutilated and retained.

- D. The County Collector's procedures for preparing monthly and annual settlements appear inadequate, and the annual settlement for the year ended February 29, 2008, contained errors and omissions.

Monthly, the County Collector enters the abstract totals from the computerized tax system into an Excel spreadsheet to create a monthly settlement of collections and distributions. The County Collector does not retain copies of daily or monthly abstract totals, and the computer system apparently cannot re-print these daily or monthly totals. As a result, it is difficult to verify the accuracy of the monthly settlements.

At the end of the year, the County Collector prints annual abstract totals recorded on the computerized tax system. He also prints an annual statement of collections and distributions compiled from the totals of the monthly settlements. The County Collector uses the information from these two annual reports to prepare the annual settlement; however, the information on these two annual reports did not agree. In addition, the County Collector did not adequately document how the amounts on the annual settlement were obtained from or agreed to his various records. Collections should agree to distributions on the annual settlement; however, reported distributions were \$2,786 more than reported collections.

Finally, some amounts were not reported on the annual settlement, including drainage district collections of \$2,059, forest crop land collections of \$1,703, and payments in lieu of taxes of \$1,272. License collections distributed to the County Employees' Retirement Fund (CERF) were double-counted and overstated by \$2,500 on the annual settlement.

The County Collector should adopt procedures to retain monthly abstract information and ensure monthly settlements agree to the monthly abstracts. In addition, the County Collector should ensure complete and accurate annual settlements are prepared and agreed to the applicable accounting records. Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the collector was charged with collecting.

- E. Monthly listings of open items (liabilities) are not prepared. We requested the County Collector prepare a liabilities listing as of February 29, 2008. This

liabilities listing exceeded the reconciled cash balance by approximately \$2,900. As noted in Part D above, the County Collector's annual settlement reported that distributions were higher than collections by approximately \$2,800, so it appears the County Collector may have distributed more than he collected.

A complete and accurate listing of open items should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. The County Collector should follow up on the difference between the cash balance and liabilities, and reimburse his official account for any shortages in the account.

- F. The County Collector does not have current written agreements for city property tax collection services performed. In addition, the County Collector does not distribute commissions paid by taxpayers on delinquent city tax payments in accordance with state law. The County Collector personally retained city commissions totaling \$2,930 for the year ended February 29, 2008.

1. The County Collector collects city property taxes for the cities of Bethel, Clarence, and Hunnewell, and personally retains commissions for performing these services. The written agreements currently in effect were negotiated by the former County Collector in 2004 (Clarence) and 2005 (Bethel and Hunnewell).

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform services for cities that they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing.

2. A seven percent additional commission is paid by the taxpayers for delinquent city tax collections, and the County Collector retains the entire amount of these commissions. The collection and distribution of these commissions is not addressed in the former County Collector's written agreements.

Section 52.290, RSMo, provides the seven percent additional delinquent tax commission shall be distributed as follows: two-sevenths into the county General Revenue Fund, two-sevenths into the Tax Maintenance Fund, and three-sevenths into the CERF.

Current written contracts, signed by the cities, the County Collector, and the County Commission, should be prepared. The contracts with the cities should clearly define the amount of additional commissions to be assessed, and address the distribution of these commissions.

- G. During February 2007, the former County Collector spent \$1,600 from the Tax Maintenance Fund on computer equipment for use by the County Treasurer.

Sections 52.312 and 52.315, RSMo, restrict the use of Tax Maintenance Fund monies for costs and expenses incurred in the office of the County Collector. The use of these restricted funds to purchase equipment benefiting an office other than the County Collector does not appear to comply with state law.

WE RECOMMEND the County Collector:

- A. Adequately segregate duties or establish procedures for documented supervisory reviews.
- B. Reconcile the composition of receipts to the composition of bank deposits.
- C. Maintain a checkbook balance for the bank account, prepare and document monthly bank reconciliations, and retain all voided checks.
- D. Retain monthly abstract totals and agree them to the monthly settlements of collections and distributions. In addition, the County Collector should prepare complete and accurate annual settlements and ensure the amounts reported on the settlements agree to the applicable accounting records.
- E. Prepare monthly listings of liabilities and reconcile the listings to the cash balance. Any unidentified differences should be investigated and resolved, and the County Collector should reimburse his official account for any shortages.
- F. Work with the County Commission to obtain current written agreements with the cities for tax collections. The agreements should address the collection of delinquent tax commissions, and the County Collector should ensure these commissions are distributed in accordance with state law.
- G. Ensure all expenditures from the Tax Maintenance Fund are reasonable and in accordance with state law.

AUDITEE'S RESPONSE

The County Collector provided the following response:

- A. *Segregation of duties is not possible with our limited staff; therefore, I will implement an independent review of the Deputy Collector's work.*
- B&C. *We agree and will implement these recommendations.*
- D. *We agree and will implement this recommendation. In addition, we have begun retaining copies of the daily and monthly abstracts.*

- E. *We agree and will implement this recommendation. In addition, we are thoroughly reviewing all transactions and re-creating all abstracts from tax year 2007 in order to reconcile and investigate the unidentified differences noted in the audit report.*
- F. *We agree to work with the County Commission to obtain current written agreements with all cities. We will investigate the proper disposition of the delinquent commissions and take up the matter with the cities.*
- G. *The Tax Maintenance Fund is taxpayer money and will be used to the taxpayers' benefit.*

2. Property Tax System and Computer Controls

Property tax system procedures and computer controls need improvement. Reports of changes made to the tax records are not prepared. Neither the County Clerk nor the County Commission adequately review property tax additions and abatements. The County Clerk's account book with the County Collector is incomplete, and the County Collector's annual settlement is not reviewed for accuracy. Also, computer system security and backup procedures are not adequate. For the year ended February 29, 2008, taxes charged to the County Collector totaled approximately \$5.1 million.

- A. A change report, which reflects changes to tax records, is not generated by the County Collector. While taxes added or abated are reflected in the computer system, there is no record of other changes made to a tax record. For example, when the bank returns a check as unpaid due to insufficient funds, the County Collector marks a previously paid tax record as unpaid in the system. After such a change is made to a tax record, there is no record of the information previously recorded in the file. This reduces control over the collection of taxes and could result in undetected misstatements of collections or delinquent taxes.
- B. Controls over property tax additions and abatements are not adequate. Addition and abatement requests are prepared by the County Assessor and submitted to the County Collector and County Clerk. The County Collector enters the changes to the computerized property tax records and provides a copy of the changed property tax record to the County Clerk. However, the County Clerk does not use the records provided to her by the County Assessor and County Collector to perform an independent and subsequent review of the actual changes made to the property tax system.

In addition, the County Commission does not review or approve addition and abatement requests as they are submitted to the County Clerk. For the year ended February 28, 2007, the former County Collector filed a yearly report of total additions and abatements generated by the County Collector which was approved by the County Commission. The current County Collector was unaware of this procedure and did not file a yearly report for the year ended February 29, 2008. As a result, additions and abatements, which constitute changes to the amount of

taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If this is not feasible given the county's property tax system setup and procedures, the County Clerk should periodically reconcile approved additions and abatements to actual changes made to the system.

- C. The County Clerk's account book does not include tax charges or additions and abatements, and cannot be used to adequately verify the County Collector's annual settlement. In addition, the County Clerk and County Commission indicated they do not review the County Collector's annual settlement for accuracy. As noted in Management Advisory Report (MAR) 1, the County Collector's annual settlement for the year ended February 29, 2008, contained errors and omissions.

An account book should summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts. A complete account book would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlement. Such procedures are intended to establish checks and balances related to the collection of property taxes.

- D. Access to the property tax system is not adequately restricted as follows:
- User identifications and passwords are not used in the County Collector's office. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system. To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals through the use of user identifications and passwords. A unique user identification and password should be assigned to each user of a system. These should be kept confidential and passwords should be changed periodically to help limit unauthorized access to computer files.
 - No security system is in place to detect and prevent incorrect log-on attempts. To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries. Such a system should produce a log of the incorrect attempts, which should be reviewed periodically by an authorized official.
 - No security system is in place to shutdown the computer system after a certain period of inactivity, and the County Collector does not shut down

the computer system on a daily basis. To help protect computer files, a security system should be implemented to shut down the system after a certain period of inactivity and the County Collector should ensure the system is shut down each evening to prevent unauthorized access to the office's program and data files.

- E. Backup disks of information, which could be used to provide a means of recreating destroyed master disks, are not stored offsite. As a result, damage to these computer systems could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data. Preparation of backup disks, along with offsite storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

WE RECOMMEND the County Commission:

- A. And the County Collector review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.
- B. And the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored as they occur.
- C. And the County Clerk maintain a complete account book with the County Collector, and use the account book to verify the accuracy of the County Collector's annual settlement.
- D. And the County Collector consult with the computer programmer and establish procedures to restrict access to computer files, including the use of unique user identifications and passwords to authorized individuals, security systems to stop and report incorrect log-on attempts after a certain number of attempts, and shut-down of the system after a certain period of inactivity. In addition, the County Collector should shut down the system daily.
- E. And the County Collector ensure that backup disks are prepared and stored in a secure offsite location.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

- A. *We will discuss this matter with the County Collector to review the possibility of implementing this recommendation.*
- B. *We will review additions and abatements on a monthly basis and ensure they agree with the records provided to the County Clerk.*

- C. *The County Clerk has all of the data necessary to implement this recommendation. We will compile the data to maintain a complete account book that can be used to verify the accuracy of the County Collector's annual settlements.*
- D. *We will discuss this recommendation with the County Collector and take it into consideration.*
- E. *We agree and will work with the County Collector to implement this recommendation.*

The County Collector provided the following response:

- A. *We agree and will work with the County Commission to review the possibility of implementing this recommendation.*
- D. *We will discuss this with the County Commission and determine the feasibility of making the suggested changes.*
- E. *We agree and will implement this recommendation.*

3.	Financial Condition
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The financial condition of the General Revenue and Special Road and Bridge Funds has declined in the past two years. The following table reflects the receipts, disbursements, and cash balances of these funds for the two years ended December 31, 2007:

		Year Ended December 31,	
		2007	2006
General Revenue Fund			
Cash Balance, January 1	\$	231,796	286,295
Receipts		1,062,962	1,051,736
Disbursements		(1,101,574)	(1,106,235)
Cash Balance, December 31	\$	193,184	231,796
Special Road and Bridge Fund			
Cash Balance, January 1	\$	99,052	110,239
Receipts		960,449	1,446,413
Disbursements		(1,004,862)	(1,457,600)
Cash Balance, December 31	\$	54,639	99,052

Based on the 2008 budget, it appears the financial condition of the funds will not improve during the current year. The 2008 General Revenue Fund budget reflects anticipated receipts of \$1,118,499 and appropriated disbursements of \$1,221,578, resulting in an estimated ending cash balance of \$90,105. The 2008 Special Road and Bridge Fund budget reflects anticipated receipts of \$963,500 and appropriated disbursements of \$965,346, resulting in an estimated ending cash balance of \$52,793.

The county cannot continue to spend more than is received in these funds as the cash balances are steadily declining. Consideration should be given to finding ways to increase receipts and decrease disbursements to improve the financial condition of these funds.

One area of consideration for the General Revenue Fund is the various restricted special revenue funds administered by elected officials. Many of these funds have accumulated balances significantly in excess of 2007 actual disbursements or 2008 anticipated disbursements. Consideration should be given to working with these officials to use these monies to fund the respective office's expenses, within the restrictions set forth by state law, which are currently funded by the General Revenue Fund.

The County Commission indicated they are aware of the concern and are monitoring the county's financial condition through preparation and review of monthly budget reports. To improve the financial condition of the General Revenue Fund and Special Road and Bridge Fund, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of revenues.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds by reviewing disbursements and reducing discretionary spending where practical and maximizing all sources of revenue.

AUDITEE'S RESPONSE

We are aware of the financial condition of the county and will continue to actively monitor the situation. In addition, we discussed the county's financial condition with all county officials during the most recent budget cycle.

4. Capital Asset Records and Procedures
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Procedures to account for county-owned property should be improved to ensure the applicable records are complete and accurate.

The County Commission or its designee, generally the County Clerk, is responsible for maintaining a complete, detailed record of county property. Each county official or their designee is responsible for performing periodic inventories and inspections. Beginning in 2007, the County Clerk created a computerized capital asset listing based on the 2006 annual physical inventory performed by each official. However, as of June 2008, the computerized listing was still not complete. The listing did not include information for some assets, such as serial number, make, model, identification number, acquisition by fund, acquisition date, and the date and method of disposal. In addition, some assets are not numbered, tagged, or otherwise identified as county property. Also, the County Clerk

does not reconcile each office holder's annual physical inventory count to the prior inventory count, equipment purchases, or disposals.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining adequate insurance coverage on county property.

Similar conditions were noted in prior audit reports. Although some of our prior recommendations were implemented, improvement is still needed over capital asset records.

WE AGAIN RECOMMEND the County Clerk ensure the capital asset records are accurate and complete. In addition, asset purchases should be reconciled to additions on the inventory records, and all assets should be tagged or identified as county-owned property.

AUDITEE'S RESPONSE

I now have everything updated in the computerized capital asset listing and will continue to maintain updated records.

5. Controls Over Fuel Usage

The county does not have adequate procedures to reconcile fuel purchased to fuel usage. The county spent approximately \$116,000 and \$89,000 in 2007 and 2006, respectively, on fuel for the Road and Bridge Department, and approximately \$19,000 and \$16,000 in 2007 and 2006, respectively, on fuel for the Sheriff's Department.

- A. The Road and Bridge Department maintains one bulk tank for gasoline and one bulk tank for diesel fuel. Employees maintain records of when road and bridge vehicles are fueled, including the date and mileage of the vehicles. The Road and Bridge Supervisor stated he reviews these usage records for reasonableness; however, no one reconciles the amount of fuel purchased to the usage records.
- B. Sheriff's deputies purchase gasoline for county-owned vehicles using gas cards assigned to them. When fuel is purchased for these vehicles, the deputies document the date, mileage of the vehicle, and number of gallons purchased on a daily log. The gasoline purchases from the daily logs are compiled into a monthly report and reviewed by the Sheriff for reasonableness; however, no one reconciles the fuel purchase invoices to the daily logs or monthly reports.

To ensure the validity and propriety of fuel disbursements and to detect fuel loss or misuse on a timely basis, the county should adopt procedures to ensure fuel usage is reconciled to fuel purchased.

WE RECOMMEND the County Commission work with the Road and Bridge Supervisor and the Sheriff to adopt procedures to reconcile fuel purchased to fuel usage.

AUDITEE'S RESPONSE

We have discussed this recommendation with the Road and Bridge Supervisor and will follow up to ensure it has been implemented. In addition, we will work with the Sheriff to implement this recommendation.

6.

Various County Concerns

There are no written policies for the use of county cellular telephones. The County Commission distributed monies to various organizations but did not enter into written contracts with any of the organizations or obtain financial information from some of the organizations documenting the actual use of the monies. The county sells excess road and bridge materials to county residents but does not collect sales tax on these items. The county did not solicit or retain bid documentation for some purchases.

- A. The County Commission has not developed a written policy regarding cellular telephone usage. During the two years ended December 31, 2007, the Road and Bridge Supervisor, Sheriff and Chief Deputy, Prosecuting Attorney, Associate Circuit Judge, County Assessor, and E-911 Director utilized cellular telephones. The county spent approximately \$2,500 and \$2,000 for cellular telephone usage in 2007 and 2006, respectively. A written policy is necessary to prevent misuse of county assets and to ensure there is no misunderstanding within the county regarding county cellular telephone usage. This policy should provide criteria for determining which employees should be assigned a cellular telephone and proper use of the telephones. In addition, the policy should establish billing review procedures.
- B. The county did not enter into written contracts related to distributions made to the Shelby County Special Road District, University Extension Council, OATS, Shelby County Soil & Water Conservation District, Shelby County Economic Development Board, or Shelby County Senior Citizens Association. In addition, the county did not obtain financial information to document the actual use of the monies from some of the organizations. The county distributed a total of approximately \$41,000 and \$38,000 to these organizations in 2007 and 2006, respectively. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid, and provide a means for the county to monitor compliance with the contract terms. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- C. The county sells excess road and bridge materials, such as culverts, gravel, and iron, to Shelby County residents at cost and does not collect sales taxes on these sales. Sales for these items totaled approximately \$33,000 and \$35,000 in 2007 and 2006, respectively. The county should not allow such sales to be incurred using its sales tax-exempt status. Doing so violates the terms of the county's sales tax exemption letter.
- D. Documentation was not always retained of bids solicited for purchases made by various county officials. Examples of items purchased for which bid documentation was not maintained included the following:
- The Sheriff stated he solicits bids for prisoner meals every three years; however, documentation for the most recent solicitation was not retained. Prisoner meals totaled approximately \$14,255 and \$18,197 in 2007 and 2006, respectively.
 - The Sheriff purchased two vehicles costing \$7,000 each in 2006 from two different vendors. Bid documentation was not retained from one of the vendors. In addition, bid documentation from the other vendor was dated approximately three weeks after the bill of sale on the vehicle.
 - The Circuit Clerk purchased a moving file system totaling \$8,520 in 2006 to aid in the consolidation of the Circuit, Associate Circuit, and Probate Courts. The Circuit Clerk stated she solicited bids from two companies; however, bid documentation of only one company was retained.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. Section 50.660, RSMo, requires the advertisement of bids for all purchases of \$6,000 or more (\$4,500 or more prior to August 28, 2007) and bidding on any purchase of \$4,500 or more made from any one person, firm, or corporation during any period of 90 days. Retaining bid documentation provides evidence the county complied with all aspects of state bid laws.

WE RECOMMEND the County Commission:

- A. Develop a written policy regarding cellular telephone usage and establish billing statement review procedures.
- B. Obtain written contracts which specifically state what services are to be provided to the county for the distribution of monies to these organizations. In addition, the written contracts should allow the County Commission to monitor the expenditures of the county monies.

- C. Refrain from selling excess road and bridge materials to county residents which results in the avoidance of the payment of sales taxes.
- D. Ensure bids are solicited for major purchases and documentation of bids is retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

AUDITEE'S RESPONSE

- A. *We will review this matter with the Prosecuting Attorney and draft a policy on county cellular telephone usage.*
- B. *We will work to implement this recommendation. In addition, we will request all entities submit sufficient financial information to monitor the expenditure of county monies.*
- C. *We will take this recommendation under advisement.*
- D. *We will work with the other county officials to ensure applicable bid documentation is retained.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

SHELBY COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shelby County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Payroll and Personnel Policies and Procedures

- A. The county was paying certain benefits to a seasonal part-time employee of the County Collector's office. The county's personnel manual stated a person employed on a limited basis was not eligible for employee benefits unless specifically negotiated with the County Commission and the office holder for whom they work.
- B. The former Sheriff authorized the payment of additional compensation totaling \$1,192 to five employees. Documentation to support these payments consisted of statements signed by the former Sheriff that the payments were for "extra duty", but did not include any documentation of extra time worked beyond that recorded on the time sheets.

Recommendation:

The County Commission:

- A. And the County Collector document their approval for benefits provided to the part-time employee, as required by the county's employee manual.
- B. And the Sheriff discontinue paying compensation to employees unless it is supported by time and attendance records.

Status:

- A. In January 2005, the personnel manual was updated to state only full-time employees will receive benefits. The current audit noted no instances where the county deviated from the personnel manual regarding this situation.
- B. Implemented.

2. Computer Controls

- A. Passwords and other procedures were not in place to limit access to the various data files and programs utilized by the various county officials.
- B. A security system was not in place to detect or prevent incorrect log-on-attempts.

- C. Backup disks of information were only prepared weekly and were not stored at a secure off-site location.

Recommendation:

The County Commission:

- A. Establish procedures to restrict access to computer files, including the use of unique passwords for the network and computer programs, to authorized individuals.
- B. Implement a security system to detect and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are prepared more frequently and stored in a secure, off-site location.

Status:

Implemented for the County Clerk's and County Treasurer's system; however, the current audit noted weaknesses in controls for the property tax system. See MAR finding number 2.

3. Road and Bridge Maintenance Plan

A formal maintenance plan for county roads and bridges had not been prepared.

Recommendation:

The County Commission prepare and document a road and bridge maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects.

Status:

Partially implemented. While the County Commission did not prepare and document a formal road and bridge maintenance plan, projects are tracked in relation to amounts budgeted. In addition, the County Commission indicated the repair of bridges is generally only performed when grant funding is available due to budget constraints; therefore, the tracking of all bridge repair projects is performed in conjunction with the grant tracking process. Although not repeated in the current MAR, our recommendation remains as stated above.

4. General Fixed Assets Records and Procedures

The county did not have written policies related to the handling and accounting for general fixed assets, and various concerns were noted regarding the county's procedures and accounting records for general fixed assets.

Recommendation:

The County Commission establish written policies related to the handling and accounting for general fixed assets which include procedures to ensure compliance with state law. In addition, all fixed assets purchases and additions should be recorded as they occur, fixed asset purchases should be reconciled to additions on the inventory records, and all fixed assets should be tagged or identified as county-owned property.

Status:

Partially implemented. The County Commission established written policies related to the handling and accounting for capital assets; however, the various control procedures and records are still in need of improvement. See MAR finding number 4.

5. County Collector's Controls and Procedures

- A. A change report, which reflects changes to the computerized tax records, was not generated by the County Collector.
- B. Partial payments were retained in the County Collector's vault and were not deposited until full payment was received.
- C. The County Collector made changes to the property tax system throughout the year based on addition and abatement forms prepared by the County Assessor. At the end of the year, the County Collector presented total amounts by type of tax for additions and outlawed personal property taxes, as well as a detailed list of other abatements, to the County Commission for their review and approval.

Recommendation:

The County Collector:

- A. Review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.
- B. Record all monies received for partial payments and deposit intact daily.
- C. And the County Commission ensure additions and abatements are prepared by the County Assessor, retained by the County Clerk, and periodically reconciled to

property tax book charges and credits. The County Commission should review and approve all additions and abatements on a timely basis and the County Clerk should make the necessary changes to the tax books.

Status:

A&C. Not implemented. See MAR finding number 2.

B. The current County Collector no longer accepts partial payments.

6. Prosecuting Attorney's Controls and Procedures

A. Accounting duties were not adequately segregated.

B. The Prosecuting Attorney had custody of an old bank account in which restitution and bad check fees had been deposited by the prior officeholder. This account had a balance of \$3,463 which had not been identified to specific cases.

C. Summary listings of court-ordered restitution owed to the Prosecuting Attorney were not prepared, and monitoring procedures related to unpaid restitution were not sufficient.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting duties or perform and document reviews of the accounting records and bank reconciliations.

B. Attempt to identify the monies held in the old bank account, dispose of unidentified and unclaimed monies in accordance with state law, and close the account.

C. Periodically prepare listings of unpaid court-ordered restitution, and adopt procedures to periodically follow up on unpaid amounts. The Prosecuting Attorney should also consider reviewing unpaid amounts with the applicable judges and obtaining court approval to write off amounts deemed uncollectible.

Status:

A. Implemented. The Prosecuting Attorney documents reviews of the accounting records and bank reconciliations.

B. Partially implemented. The Prosecuting Attorney identified and paid out approximately \$100 from the old bank account. However, the account is still open and had an unidentified balance of \$3,354 as of December 31, 2007. Although not repeated in the current MAR, our recommendation remains as stated above.

- C. Partially implemented. The Prosecuting Attorney does not prepare an overall listing of unpaid court-ordered restitution; however, procedures to track and follow up on unpaid amounts appear adequate. The Prosecuting Attorney stated he does not deem any amounts uncollectible; therefore, he will not consider writing off unpaid amounts. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Health Center's Controls and Procedures

- A. The Health Center's budgets did not include some available resources.
- B. The county's annual published financial statements did not include the financial activity of the Health Center Fund.

Recommendation:

The Health Center Board:

- A. Include all beginning available resources and projected ending fund balances on the budgets.
- B. Ensure financial information for the Health Center Fund is properly reported in the annual published financial statements as required by state law.

Status:

The Health Center was not included in the scope of the current Shelby County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

8. Schedule of Expenditures of Federal Awards

The County Clerk and Health Center Administrator prepared schedules of expenditures of federal awards (SEFA) for the years ended December 31, 2003 and 2002; however, both the county and the Health Center under-reported federal expenditures.

Recommendation:

The County Clerk and Health Center Administrator adopt procedures to ensure complete and accurate schedules of expenditures of federal awards are prepared and submitted to the State Auditor's Office as part of the annual budget.

Status:

The SEFA prepared by the County Clerk for the year ended December 31, 2007, appeared complete and was submitted to the State Auditor's Office as part of the annual budget. The

Health Center was not included in the scope of the current Shelby County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SHELBY COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Shelby County is a county-organized, third-class county and is part of the Forty-First Judicial Circuit. The county seat is Shelbyville.

Shelby County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 6,799 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	53,771,093
Personal property		25,616,972
Railroad and utilities		6,460,236
Total	\$	<u>85,848,301</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Shelby County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General and Special Road and Bridge	.0050	None	None	
Enhanced 911	.0050	None	None	
Local use tax	.0150	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Glenn Eagan, Presiding Commissioner		25,926
Maurice Shuck, Associate Commissioner		23,338
Kerry McCarty, Associate Commissioner		23,338
Audrey Grawe Buzzard, Recorder of Deeds		36,067
Tracy Smith, County Clerk		36,067
James McConnell, Prosecuting Attorney		43,493
Daniel Parshall, Sheriff		40,560
Jesse C. Burton, County Treasurer		36,067
Ralph Eagan, County Coroner		9,880
Susan C. Wilt, Public Administrator		20,800
John Chinn, County Collector (1), year ended February 28 (29),	39,115	
Billy E. Gibson, County Assessor (2), year ended August 31,		36,736
Martin T. Wasson, County Surveyor (3)		

(1) Includes \$2,930 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Rosalie (Rose) Shively, Circuit Clerk	51,197
Gary G. Wallace, Associate Circuit Judge	101,090



Susan Montee, CPA
Missouri State Auditor

City of Union Star



October 2008
Report No. 2008-72

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

October 2008

The following findings were included in our audit report on the City of Union Star, Missouri.

The Board of Aldermen provided little oversight or supervision of the work performed by the City Clerk, who performs the duties of both Collector and Treasurer for the city and is responsible for all city accounting functions. While a former City Clerk maintained ledgers of receipts and disbursements and available cash balances for each fund during the first half of 2007, this fund accounting system was apparently not utilized after June 2007 when a new City Clerk was hired. While there is evidence that monthly financial reports were prepared during the first half of 2007, it does not appear these financial reports were ever formally presented to and approved by the board. In January 2008, the city's computer system crashed and a significant amount of the accounting data was lost. Since back ups of this data were not performed, city staff could not compile any monthly financial reports for the last half of 2007 and no records of receipts, disbursements, accounts receivable, or accounts payable were available. In addition, many other financial documents, such as bank statements, cancelled checks, and deposits slips, were not readily available for our review and had to be requested from the bank in some instances.

It is unclear whether street related revenues, including a property tax for street lights as well as motor vehicle fees received from the state, are being used as required by state law. In addition, bank reconciliations have not been performed for any city bank accounts for some time and those that were performed can not be located. Budgets were not prepared the last two years and some semi-annual financial reports were not published as required by state law.

Receipt slips are not issued for some monies received and an independent review of the composition of receipts to deposits is not performed. Checks and money orders received are not restrictively endorsed and receipts are not posted to the city's accounting system until a deposit is prepared. The City Clerk is not bonded and controls over subsidiary accounts receivable records for water and sewer accounts and property taxes need to be improved.

Formal reviews of water and sewer rates have not been performed for several years although there have been several rate increases, and the water and sewer ordinance has not been updated since 2000. Controls over water deposits need to be improved. There is a \$3,388 difference between the meter deposit list and the bank balance in the water deposit account. The city does not formally document a reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the city. In addition, the city was unable to produce a copy of the bond agreement and was not aware of the bond covenants. Bond covenants requiring the city to obtain an audit of the accounts, books,

(over)

YELLOW SHEET

and records of the sewer system, and to maintain adequate records of the operation have not been met.

There was no evidence that the board provided adequate controls over disbursements. The city does not have formal bidding or purchasing policies and the board does not properly monitor city disbursements. Documentation was not retained to support some disbursements and controls over the use of numerous city credit cards have not been established. Some invoices were not paid timely and payroll taxes have not been remitted to the Internal Revenue Service (IRS) on a timely basis. In addition, records of time worked are not maintained for some city employees and some disbursements do not appear to be necessary or prudent uses of city funds.

City procedures for conducting and documenting closed meetings are not in compliance with state law, and improvement is needed in the organization of the city's ordinances. Additionally, improvement is needed in the policies and procedures related to information requested by the public.

Although the authorized bonds have never been issued, the city has accumulated approximately \$19,200 in the General Obligation Street Bond Fund, and another \$4,280 is due this fund from the General Fund. Voters authorized \$47,000 in bonds to be issued for street related projects in 2005 and the city assessed a debt retirement levy in both 2005 and 2006. While this tax was not levied in 2007, the board has had no significant discussions regarding this issue and has not formally documented its plans for the accumulated funds. In addition, a formal plan for maintenance of city streets has not been prepared. Further, a significant cash balance, approximately \$22,600 at June 30, 2007, has accumulated in the Street Lighting Fund and the city should consider this information when setting the street light levy in the future.

Also included in the audit were recommendations related to the property tax system and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF UNION STAR

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Union Star
Union Star, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Union Star. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Union Star.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF UNION STAR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls, Records, and Procedures
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Accounting duties cannot be segregated due to the number of personnel working for the city and the Mayor and Board of Aldermen do not adequately oversee the work performed by the City Clerk, who also performs the duties of Treasurer and Collector for the city. A fund accounting system was maintained the first half of 2007, but was abandoned when personnel changed in July 2007. The city cannot ensure restricted receipts are used for the intended purpose due to the lack of a fund accounting system. Bank reconciliations have not been performed for the city's bank accounts and controls over city records need improvement. The city lost a significant amount of accounting data when its computer system crashed in January 2008 due to failure to properly perform backups of the accounting data. Numerous concerns over the handling of receipts were identified and the City Clerk, who handles the majority of the city funds, is not bonded. Additionally, controls and procedures for maintaining subsidiary account information for utility and tax accounts need improvement.

- A. There was no evidence the Board of Aldermen provided adequate supervision or review of the work performed by the City Clerk. The City Clerk also performs the duties of Collector and Treasurer for the city and is responsible for city accounting functions including receiving and depositing monies, posting transactions, preparing and distributing checks, maintaining payroll records, preparing and distributing monthly utility billings, collecting, billing, and posting property tax payments, and preparing monthly bank reconciliations. While a former City Clerk maintained ledgers of receipts, disbursements, and available cash balances for each fund during the first half of 2007, this fund accounting system was apparently not utilized after June 2007 when a new City Clerk was hired. While there is evidence that monthly financial reports were prepared during the first half of 2007, it does not appear these financial reports were ever formally presented to and approved by the board. Due to this lack of oversight, the board was apparently unaware of the changes and lack of record keeping. There was no evidence that any financial information related to city operations was presented to or requested by the Board of Aldermen during our audit period. In addition, while checks do require three signatures, the signors other than the City Clerk do not review supporting documentation for each check before signing. The city has appointed one of the board members as Treasurer, but it does not appear this person serves any role in the handling of funds or accounting records.

The Board of Aldermen needs to take steps to ensure it is adequately monitoring the activities of city personnel, as well as the financial position of the city funds. Good management practices require extensive and detailed oversight by the board. To safeguard against possible loss or misuse of funds, internal controls

should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary.

- B. Since June 2007, the city has not maintained an adequate fund accounting system to ensure restricted receipts are used for the intended purpose. The city has used a computer program to post receipts and disbursements for the last several years, and a fund accounting system appears to have been maintained through June 2007. At June 30, 2007, cash balances are available for all city funds, even though several funds are maintained within the same bank accounts. The activity of several city funds, including the Police Fund, Street Fund, Street Light Fund, Extraordinary Income Fund, Prior Years Tax Fund, and Current Tax Fund are accounted for within the General Fund. When a new clerk was hired in July 2007, activity was no longer maintained by fund and monthly financial reports detailing the fund activity were no longer prepared. As a result, it is unclear whether street related revenues, including a property tax for street lights as well as motor vehicle fees received from the state, are being used for the intended purpose. In addition, the activity of the Replacement/Extension Fund, Water Fund, and Sewer Fund is accounted for within two utility bank accounts, but since no separate fund tracking has been performed for these funds since June 2007, it is unclear what their cash balances are at year end. The city was unable to provide the cash balances at December 31, 2007, for any funds not maintained in a separate bank account.

Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street related purposes. Section 250.150, RSMo, and the city's bond covenants require the revenues of a water and sewer system be segregated from all other revenues or funds of the city. Because the city is no longer separately accounting for restricted revenues, it is not able to demonstrate compliance with the related legal and contractual requirements.

- C. Bank reconciliations have not been performed for any city bank accounts for some time and those that were performed cannot be located. The mayor indicated the bank accounts had been reconciled through June 30, 2007, but that reconciliations have not been performed for any of the accounts since then. In January 2008, the city was unable to locate any bank reconciliations and indicated it had not received bank statements for several months. The city was able to obtain bank statements for its accounts, but reconciliations for these accounts have still not been performed. Due to the loss of financial data in the computer system, once the accounts are reconciled it is unclear how the city will determine the individual fund balances which had previously been maintained.

Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis.

- D. The city lost a significant amount of accounting data when its computer system crashed in January 2008 due to failure to properly perform backups of the accounting data. Utility and property tax billings are generated from a computerized system, payments received are posted to a computer billing application, and receipts and disbursements are posted to the accounting system. This computerized system was not periodically backed-up and all the information maintained on the system was lost. Thus, no records of receipts, disbursements, and accounts receivables or payables were available, and because fund accounting records were not maintained summarizing the receipt and disbursement activity by fund, little information related to the financial transactions for the second half of 2007 is available.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup record should be periodically prepared to provide a means of recreating destroyed master records. Backup files should be stored off-site to provide increased assurance that any lost data can be recreated.

- E. The following concerns were noted related to receipts:

- Receipt slips are not issued for some monies received and an independent review of the composition of receipts to deposits is not performed. The city's primary sources of receipts are utility payments, property taxes, and grants. Manual receipt slips are issued occasionally, but most payments are just posted to the accounting system. Per discussion with the former City Clerk, she indicated that receipts were posted to the computer when she had time, rather than immediately upon receipt. While utility stubs and property tax statements are retained for these types of payments, they are not reconciled to amounts posted to the accounting system and deposits. The City Clerk is primarily responsible for receiving and recording payments and preparing and making deposits. However, an independent comparison of the composition of monies received and posted to the accounting system to amounts deposited is not performed. While looking for some other records in the city clerk's office in January 2008, the Mayor found two checks, totaling approximately \$95, for water and sewer payments that had not been deposited. A deposit summary dated August 2007 indicated \$288 was deposited, which included these checks. The Board was not aware these checks were not deposited. Additionally, some receipt slips were not issued in numerical order.

To ensure receipts are handled properly, receipt slips should be issued in numerical sequence for all monies received. In addition, the method of payment should be indicated on each receipt slip and the composition

(cash and checks) should be reconciled to the composition of bank deposits.

- Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- Receipts are not posted to the city's accounting system until a deposit is prepared. A cash count was performed on January 9, 2008, totaling \$419; however, these receipts were not posted to the city's accounting system timely. To ensure receipts are accounted for properly, all receipts should be posted to the city's accounting system when received.

F. The City Clerk is not bonded. The City Clerk is responsible for all financial records of the city (see finding number 1.A). The failure to properly bond the City Clerk exposes the city to risk of loss.

G. Controls over subsidiary accounts receivable records for water and sewer accounts and property taxes need improvement. Various reconciliations are not performed to ensure the accuracy of the subsidiary accounting records. In addition, there are no independent reviews of the various subsidiary accounting records to ensure that amounts the clerk is charged with collecting are appropriately received and recorded or that credit adjustments are proper.

- Periodic reconciliations are not performed of the subsidiary records for the water and sewer accounts to ensure the beginning receivable balance, adjusted for receipts, judgments/billings, and authorized adjustments, reconciles to the ending receivable balance.
- Periodic reconciliations of the property tax receivable balance are not performed, agreed to the detail account balances, and reviewed by an independent person.
- Written policies and procedures do not exist to provide for controls and independent approvals of adjustments to account balances.

To safeguard against possible loss or misuse of funds, various reports and reconciliations should be prepared for the city's subsidiary accounts receivable systems and reviewed by a person independent of the accounts receivable function.

WE RECOMMEND the Board of Aldermen:

- A. Require the City Clerk to provide financial reports and key information such as available budget and cash balances. The board should verify the accuracy of reports to ensure the reports include sufficient information to provide adequate monitoring of the city's financial activities and financial position. In addition, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.
- B. Establish the necessary records to account for monies restricted for specified purposes.
- C. Ensure bank reconciliations are prepared monthly and retained for all city accounts.
- D. Develop backup procedures for data stored on computers to avoid a potential loss of information.
- E. Require the use of official prenumbered receipt slips for all monies received. The board should ensure the method of payment is recorded on each receipt slip and ensure the composition of receipts is reconciled to the composition of deposits. Also, the Board of Aldermen should ensure all checks are restrictively endorsed immediately upon receipt and all receipts are posted to the city's accounting system when received.
- F. Obtain bond coverage for the City Clerk.
- G. Ensure adequate reports and reconciliations are prepared for the city's subsidiary accounts receivable systems and provide for adequate supervision or independent review of the work performed.

AUDITEE'S RESPONSE

- A. *The board is currently receiving monthly reports and has implemented procedures to segregate duties to the extent possible. We are ensuring an independent review of records is performed.*
- B. *From January 1, 2008, we have re-established a fund accounting system. We are in the process of investigating and posting transactions from July 1 to December 31, 2007.*
- C. *Bank reconciliations have been performed and reviewed since January 2008 for all city accounts. We plan to review and reconcile all accounts for the period from July to December 2007 by October 31, 2008.*

- D. *Back-ups of computer records are performed daily, and all accounting records have been maintained since January 2008.*
- E. *We will begin issuing receipt slips for all monies received by September 1, 2008. We will begin reconciling receipts to deposits and are already restrictively endorsing checks.*
- F. *We will look into bonding our City Clerk as soon as possible.*
- G. *We will begin preparing monthly reconciliations for utility accounts and delinquent taxes monthly, and ensure they are reviewed by an independent person.*

2.	Budgets, Financial Monitoring, and Reporting
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Weaknesses were identified in the city's budgeting and financial monitoring and reporting. Budgets were not prepared for the last two years and some semi-annual financial reports were not published as required by state law.

- A. The city did not prepare budgets for the two years ended December 31, 2007, and while a budget was prepared for 2008, it was not prepared and approved until July 2008. Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

- B. The city has not published semi-annual financial statements as required by state law. While the city published financial statements for the six months ended June 30, 2007, a statement has not been prepared and published for the subsequent six months ended December 31, 2007. It appears at least part of the reason for this is the lack of financial records, such as bank statements, cancelled checks, and deposit slips, available for that period.

Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and disbursements and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

- C. The city has not submitted annual financial reports to the State Auditor's Office since 2004. The city offered no explanation for the failure to submit these

required reports. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's Office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for un-audited financial statements and within six months of the end of the fiscal year for audited financial statements).

WE RECOMMEND the Board of Aldermen:

- A. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the city.
- B. Publish semi-annual financial statements as required by state law.
- C. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

AUDITEE'S RESPONSE

A. *Budgets will be prepared for all funds for 2009 by January 1, 2009.*

B&C. *We will ensure these are done in the future.*

3. Utility System

Formal reviews of utility rates have not been performed recently and the water rate increase in March 2007 was not supported by a cost analysis. Controls over water deposits need improvement and a comparison of the number of gallons sold to customers to the gallons purchased by the city is not performed. Additionally, the city does not comply with all bond covenants.

- A. The city has not performed a formal review of the water and sewer rates for several years. The water and sewer ordinance has not been updated since 2000; however, several water rate increases have been approved, including the most recent \$2 increase in the base rate, from \$15 to \$17, in March 2007. There is no documentation to support the board's decisions or justification for this rate increase. Without a current cost study to support the rate charged for water and sewer services, it is unclear whether the rate assessed for these services is set at an appropriate level.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service. Water and sewer fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The city should perform and document a detailed review of its water

and sewer costs, including depreciation, and establish rates to cover the total costs of operations without generating excessive profits. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations, as well as provide documentation to customers of the rationale behind the rates.

- B. Controls over water deposits need to be improved. City residents are required to pay a refundable deposit for water and sewer service and the City Clerk maintains a list of deposits received in a notebook. These monies are deposited in the meter deposit account; however, there is no reconciliation between the deposit list and the bank balance. Furthermore, because the list has been maintained manually over the years, it is difficult to determine the amount being held for some customers. The Mayor indicated that each customer has a \$100 deposit; however, the amount of the deposit and the date paid may not be the same for long time customers. At our request, the city reviewed the listing for accuracy, and made corrections. At March 31, 2008, the corrected listing totaled \$16,006; however, the balance in the meter deposit account was \$19,394, resulting in a \$3,388 difference. During the review of the water deposit listing, the city apparently identified an \$800 deposit to the account which they believe was from the sale of a truck that should have been deposited into the General Fund.

To ensure the city is properly holding water deposits from customers, an accurate list of water deposits held by the city should be maintained, which includes the deposit amounts, the dates received, and the dates and amounts of deposit refunds. The deposit list should be reconciled monthly to the monies held in the bank to ensure records are in balance and meter deposits are accounted for properly. In addition, any differences should be investigated and resolved.

- C. The city does not formally document a reconciliation of the total gallons of water billed to customers to the gallons of water purchased by the city. Additionally, this reconciliation should include bulk water sales from the water tank at city hall; however, this tank has no meter to track the gallons sold. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

To help detect significant water loss on a timely basis and ensure all water usage is properly billed, the city should reconcile gallons of water purchased to the gallons of water billed on a monthly basis. Significant differences should be investigated.

- D. The city does not monitor its compliance with bond covenants and some bond requirements were not met. In 1982, the city issued a revenue bond for improvements to its combined waterworks and sewerage system. The city was unable to produce a copy of the bond agreement and was not aware of the bond covenants; however, we obtained a copy of the bond agreement from the bond holder. The bond covenants require the city to obtain an audit of the accounts, books, and records of the sewer system, and to maintain adequate records and

books of the operation. All utility records, such as receipt and disbursement information, subsidiary client records, delinquent account information, etc. were lost in January 2008 when the computer system crashed. An annual audit of the utility system has not been performed for the past several years.

Section 250.150, RSMo, also requires the city to obtain annual audits of the combined waterworks and sewerage system, and provides the cost of the audit is to be paid from the revenues received from the system. In addition to being required by state law and the bond covenant, annual audits of the city funds would help ensure city financial transactions have been properly recorded. Additionally, the city must maintain adequate financial records of the utility system to provide assurance that adequate user fees are charged and to ensure utility monies are accounted for properly.

The failure of the city to comply with the bond covenants could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds.

WE RECOMMEND the Board of Aldermen:

- A. Perform and document formal reviews of water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services and to support any rate increases.
- B. Ensure adequate records of water meter deposits are maintained, including deposits received, disbursed, and the balance, which should be reconciled to the monies in the bank on a periodic basis. Additionally, the unidentified difference should be investigated and resolved.
- C. Ensure the gallons of water purchased is compared to the gallons billed on a monthly basis and investigate any significant differences.
- D. Ensure compliance with all bond covenants and state laws related to the utility system.

AUDITEE'S RESPONSE

- A. *This has been implemented.*
- B. *This has been resolved and the difference has been identified.*
- C. *This is being done.*

D. *These covenants will be met by March 31, 2008.*

4.

Disbursements

There was no evidence that the board provided adequate controls over disbursements. The city does not have formal bidding or purchasing policies and the board does not properly monitor city disbursements. Documentation was not retained to support some disbursements and controls over the use of numerous city credit cards have not been established. Some invoices are not paid timely and payroll taxes have not been remitted to the Internal Revenue Service (IRS) on a timely basis. In addition, petty cash monies are not controlled properly, a record of time worked is not maintained for some city employees, and some disbursements did not appear to be necessary or prudent uses of city funds.

- A. The city does not have formal bidding policies and bid documentation is not always retained. As a result, the decision whether to solicit bids for a particular purchase is made on an item-by-item basis. Separate remodeling projects were completed at city hall in both 2006 and 2007, and while the minutes from late 2005 indicate bids were solicited for the city clerk's office remodeling, these bids were not retained. Bids were not solicited for the bathroom remodeling. While some supporting documentation was available to support the costs of these remodeling projects, the city was unable to provide sufficient records to determine the total amount spent for remodeling city hall. The city also purchased a 2001 pick up truck for \$3,500 in March 2007 without soliciting bids or documenting how they determined this was a reasonable price. Additionally, the minutes indicate the board approved the purchase of the truck in April 2007, a month after it was actually purchased.

While the city normally purchases only a few capital items each year, formal bidding and purchasing procedures would provide a framework for the economical management of city resources and help ensure the city receives fair value for all purchases. For purchases in which soliciting bids may not be practical, such as the purchase of used equipment, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid.

- B. Adequate controls over disbursements do not exist. Checks are prepared by the City Clerk, but a listing of all disbursements made during the month, including the check numbers issued, was not provided to the Board of Aldermen. Additionally, while two signatures other than the City Clerk's are required on checks, the other two signors were not provided with invoices supporting payments and did not verify the actual check information agreed to the information posted to the accounting system.

To adequately document the review and approval of all disbursements, the numerical sequence of disbursements prepared by the city clerk's office should be accounted for; disbursements should be agreed with information in the accounting system; and a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

- C. Adequate supporting documentation is not submitted and/or retained for some disbursements and adequate controls over the use of city issued credit cards have not been established. The city was unable to locate some original invoices supporting disbursements, including some payments on credit cards. The city has a VISA card, approximately 10 other credit cards from local vendors, and three fuel credit cards. Due to the lack of accounting records, the city was unable to determine the total amount charged to the various credit cards and did not have all the monthly statements from the vendors. We selected two payments to credit vendors during our audit period and original invoices were not available to support either payment.

The city has not established formal policies and procedures for the use of credit cards or for the reconciliation of individual credit slips and invoices to the monthly statements.

To ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all payments to allow the board a basis for adequately monitoring disbursements and determining whether the amount paid is reasonable. Given the lack of controls over credit cards, the board should closely evaluate the need for each credit card. In addition, complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure credit cards are used only for city business. The city should develop policies which require all credit slips be submitted and reconciled to billing statements prior to payment, and require purchases to be approved by someone other than the cardholder. The city needs to perform an adequate review of all credit card purchases to ensure expenses paid are necessary, reasonable, and adequately documented.

- D. The city does not ensure payments are made timely to vendors and payroll tax withholdings are not remitted to the federal government as required. In January 2008, city officials determined they had failed to file the Employer's Quarterly Federal Tax Return (Form 941) and remit payroll taxes totaling approximately \$3,200 for the third and fourth quarters of 2007. In addition, upon further review, the city identified approximately \$18,700 in unpaid bills due to vendors. Over \$15,000 of these bills were between 30 to 120 days past due.

Unpaid invoices should be monitored and appropriate follow up action taken. In addition, the city should monitor its liabilities to properly plan and budget its expenses. The Internal Revenue Code requires employers to submit Form 941 on

a quarterly basis. Forms 941 should be filed timely and payroll and accounting records reconciled with amounts reported to the state and federal authorities. The unpaid payroll taxes should be submitted to the proper authorities immediately and future tax withholdings should be remitted to the appropriate parties on a timely basis.

- E. The petty cash fund is not operated on an imprest basis and a ledger is not maintained to record the receipts, disbursements, and balance of the petty cash fund. The City Clerk periodically requests reimbursement from the board to replenish the petty cash fund; however, purchase receipts or other documentation are not submitted to support the amount being requested to replenish the fund. Also, the fund is not reviewed by a person independent of the accounting process. Although the balance of the fund is established at \$100, a cash count in January 2008 found a total of \$106 consisting of cash and a check written to petty cash issued on December 19, 2007, for \$60 which was never cashed.

Without adequate supporting documentation, the board cannot evaluate the necessity and reasonableness of petty cash disbursements. The petty cash fund should be operated on an imprest basis, meaning that cash and the invoices should always total the established balance, and checks issued to replenish the fund should equal the amount of the invoices. Petty cash invoices should be retained to support disbursements and submitted with the request for replenishment of petty cash. In addition, the city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect errors, and to prevent these monies from being misused.

- F. Payroll disbursements are not always properly supported by time cards. While all city employees are required to use a time clock to record time worked, six of eight time cards selected for one employee were not available. Time records are necessary for all employees to document hours actually worked, substantiate payroll disbursements, and provide the board with a method to monitor hours worked.
- G. The Board of Aldermen approved disbursements which appear questionable or unnecessary for city operations. During 2006 and 2005, the board approved \$400 in Christmas bonuses for employees, along with turkeys and hams for various employees. During December 2006, the board also approved adopting a family, which involved paying the family's December water bill and 2006 property taxes from the General Fund. Such purchases do not appear to be necessary or prudent uses of public funds.

City officials should ensure city funds are spent only on items which are necessary and beneficial to city operations. In addition, the bonuses appear to represent additional compensation for services previously rendered and, as such

are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding and purchasing policies and maintain bid documentation to ensure the city receives fair value for all major purchases.
- B. Verify the numerical sequence of disbursements, ensure disbursements agree to the accounting records and are supported by documentation, and sign off on a complete and detailed listing of approved bills. This listing should be maintained with the official board minutes.
- C. Ensure documentation is maintained to support all disbursements, evaluate the need for each credit card, and cancel any cards which are determined unnecessary. Formal policies and procedures should be adopted for credit card use, including policies which require all credit slips be submitted and reconciled to billing statements prior to payment, and purchases to be approved by someone other than the cardholder.
- D. Develop procedures to ensure the timely payment of invoices from vendors and timely remit all required tax payments to the appropriate parties in the future. In addition, Form 941 tax returns should be filed timely.
- E. Maintain the petty cash fund on an imprest basis and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. A log of petty cash fund transactions should be maintained to properly document the financial activity of the fund.
- F. Require all city employees to submit time cards documenting actual time worked. These time cards should be signed by the employee, approved by the Board of Aldermen, and filed with the City Clerk.
- G. Ensure disbursements made with city funds are reasonable and prudent uses of those funds and are necessary for city operations. In addition, the Board of Aldermen should discontinue granting one time pay increases to elected city officials and employees.

AUDITEE'S RESPONSE

- A. *We will develop a policy by January 1, 2008, and retain bid documentation in the future.*
- B. *We will ensure this is done by October 1, 2008.*
- C. *We have reduced the number of cards significantly and will monitor their use very closely in the future.*
- D. *This has been implemented. All bills are now paid in full.*
- E&F. *These recommendations have been implemented.*
- G. *These types of disbursements have been discontinued.*

5. Property Tax System

Significant problems were identified in the city's property tax system. The 2007 tax book was not printed and verification of the tax book information or totals was not performed. The former City Clerk employed during the last half of 2007, did not prepare any monthly or annual reports of tax collections and did not post tax payments to the system or deposit tax payments timely.

The City Clerk is also the City Collector and is responsible for billing, collecting, and posting property tax payments to city records; and depositing property tax receipts. The city assesses property taxes on real estate and personal property, and tax charges totaled approximately \$23,000 during the tax year ended February 28, 2008.

- A. The 2007 tax book was not printed by the City Clerk and used to verify the total taxes charged. The personal and real estate tax books are prepared electronically by the City Clerk from assessment data received from the county. In addition, as a result of not printing the 2007 tax book, no independent verification of the tax book information or totals appears to have been performed.

Without the tax book, the city can not ensure the proper amount of taxes charged and billed to city residents is complete and accurate. Retention of original records is necessary to ensure the validity of transactions and help account for all monies received.

- B. While the city's property tax system is capable of generating monthly and annual reports, none were prepared by the City Clerk summarizing the amount of property taxes collected as well as those that remain delinquent.

Sections 79.310, 94.320, and 94.330, RSMo, require the City Collector to prepare and submit monthly and annual reports to the Board of Aldermen of the amount of taxes collected and annual lists of delinquent taxes, including a detailed list of persons who have not paid. The board is to examine and approve the reports and charge the City Collector with collection of the amounts due.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Without such reports, examined by the board, any errors or irregularities that might occur are likely to go undetected.

- C. Property tax receipts are not always deposited timely and posted to the tax system. The former City Clerk indicated that she typically held property tax receipts in the drop box or a locked safe until she had collected a significant amount of taxes. The former City Clerk deposited tax receipts dated from December 2, 2007 through January 7, 2008, totaling over \$14,230 on January 9, 2008. Apparently these payments had not been posted to the system. A volunteer chosen by the board started entering these tax receipts into the system between February 2008 and March 2008.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis and kept in a secure location until deposited. Deposits should be more frequent if significant amounts of cash are collected. In addition, to ensure property tax receipts are accounted for properly, all property tax receipts should be posted to the property tax system when received and the property tax system should indicate the date property tax receipts are posted.

WE RECOMMEND the Board of Aldermen:

- A. Require the City Clerk to print and retain the tax books. In addition, the Board of Aldermen should ensure procedures are performed and documented to verify the accuracy of the tax book totals.
- B. Require the City Clerk to prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes due, which should be reviewed and approved by the Board of Aldermen.
- C. Ensure property tax receipts are deposited in a timely manner, receipts are kept in a secure location until deposited, and property tax receipts are posted to the property tax system when received.

AUDITEE'S RESPONSE

- A. *We will ensure this is done in the future.*

- B. *We are in the process of developing control procedures for collection of taxes and will ensure these procedures are in place for the 2008 tax season.*
- C. *We agree and will implement this.*

6. Minutes, Ordinances, and Public Records

City procedures for conducting and documenting closed meetings are not in compliance with state law, and improvement is needed in the organization of the city's ordinances. Also, the city needs to improve its policies and procedures for documenting information requested by the public.

- A. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented and minutes of closed meetings held by the Board of Aldermen are not always taken. The board held numerous closed sessions over the past several years. Open session minutes typically will indicate that the meeting is being closed, but the specific reason and a vote to close the meeting are not always documented. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

Furthermore, while minutes of only a few closed meetings were available, the city was unable to demonstrate how some topics discussed in those meetings complied with the law and decisions made in closed session were not always disclosed in open session. For example, the board approved the purchase of a digital meter reader in closed session, as well as approving Christmas bonuses for employees. Neither of these decisions was subsequently disclosed in open session. By discussing and voting on unallowable topics in closed session, the public is denied the right to provide input on those decisions.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions. In addition, the law requires certain votes taken in closed session to be disclosed in open session.

- B. The city ordinances do not appear complete and up-to-date. Additionally, the city has not adopted ordinances required by state law and/or needed to govern the city. Many of the city ordinances appear old and outdated and it does not appear the ordinance book has ever been codified. Some required ordinances were not in the ordinance book, such as compensation of city officials and employees, trash rates,

and water and sewer shut-off procedures. In addition, the city does not maintain a summary listing of ordinances passed, rescinded, or superseded by a subsequent ordinance. Thus, it is difficult to determine which city ordinances are currently in effect.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances. In addition, such items as compensation of city officials and employees and trash rates should be set forth in the ordinances to give taxpayers information on how the city is to be governed. Sections 79.270 and 79.290, RSMo, require the Board of Aldermen to fix the salaries of all city officials and employees by ordinance. To avoid misunderstandings, the board should adopt ordinances which specify the compensation of all city officials and employees.

- C. The city does not have adequate controls to ensure information requests from the public are handled in compliance with the Sunshine Law. The city has not adopted a policy establishing a records custodian and setting forth policies for documenting requests, responding to requests, or fees to be charged for researching and providing copies of requested public documents.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. To ensure the city is complying with this statute, the city should document adequate information in a request log to determine if requests are completed timely and that all requests are adequately filled. In addition, the board should pass a resolution establishing the custodian's requirements and documentation request procedures, and setting the price for obtaining documentation, including a schedule for document search.

WE RECOMMEND the Board of Aldermen:

- A. Ensure minutes document the vote to go into closed session, state the reasons for going into closed meetings and publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, minutes should be maintained to support all closed meetings and only allowable topics should be discussed in closed meetings.
- B. Ensure a complete and up-to-date set of ordinances is maintained.
- C. Establish a records policy to ensure compliance with the Sunshine law. This policy should include appointing a records custodian, maintaining a central record

of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

- A. *We have taken action to improve our handling of closed sessions.*
- B. *We will implement this recommendation by January 1, 2009.*
- C. *We will implement this recommendation by October 1, 2008.*

7. Capital Assets

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. In addition, controls over the use of city owned vehicles and fuel usage are not adequate.

- A. The city does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

The city should maintain capital asset records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare the inventories to capital asset records. All capital assets should be recorded at historical costs or estimated historical cost, if actual cost is not available.

- B. The city does not maintain usage logs for city vehicles and equipment. In addition, fuel purchases and usage are not tracked and monitored. The city owns two dump trucks, a pickup truck, and a lawn mower. Fuel is charged at the local gas station and a monthly billing is sent to the city. However, gas tickets are not turned in by city employees using these vehicles and equipment, so a comparison cannot be made to the fuel bill from the local vendor prior to approval for payment.

The city was unable to provide the amount spent on fuel during the year ended December 31, 2007, but the financial statement prepared and published in the

paper for the period January 1, 2007 to June 30, 2007, indicated approximately \$1,100 was spent on fuel from the Street Fund.

Vehicle logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs. The failure to compare fuel usage records and gas tickets to vendor billings and analyze vehicle mileage compared to fuel usage increases the possibility the city may pay improper billing amounts and theft or misuse of fuel could occur and go undetected.

WE RECOMMEND the Board of Aldermen:

- A. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. These property records should be compared to the city's insurance coverage and vehicle titles on hand. The city should also properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.
- B. Ensure usage logs are maintained for all vehicles and equipment. In addition, fuel usage and purchase records should be reviewed for completeness and reasonableness of usage, and reconciled to vendor billings.

AUDITEE'S RESPONSE

- A. *We are currently preparing capital asset records and tagging city property.*
- B. *We will develop procedures to account for vehicle usage and gas purchases.*

8. Street Maintenance and Lighting

The city has accumulated approximately \$19,200 for debt retirement related to authorized bonds that have not yet been issued. A formal maintenance plan for city streets has not been prepared and a significant cash balance has accumulated in the Street Lighting Fund and a plan for these funds has not been adopted.

- A. In April 2005, city voters approved the issuance of bonds in the amount of \$47,000 for acquiring right of way, constructing, extending, and improving the streets. The city levied a property tax to pay for the principal and interest on the

bonds, but took no action to actually issue them. As of June 30, 2007, the city had accumulated approximately \$19,200, which is kept in a separate bank account designated for the general obligation bonds. In addition, \$4,280 in bond property taxes were deposited to the General Fund in early 2007, rather than the General Obligation (G.O.) Street Bond Fund. While the tax was not levied in 2007, the board has not had significant discussions recently on the bond issue and have not formally documented its plans for the accumulated funds.

It appears the city needs to perform a comprehensive review of this project to determine if it is feasible for the city to proceed. If determined to be feasible, a firm decision should be made regarding the direction of this project and city officials should commit the necessary efforts and resources to ensure its successful completion. If it is not feasible, the city should consult with legal counsel regarding how to handle the proceeds of this levy. In addition, these property taxes represent restricted revenues and the board should transfer \$4,280 from the General Fund to the G.O. Street Bond Fund.

- B. A formal maintenance plan for the city streets has not been prepared. Maintenance plans should be prepared in conjunction with the annual fiscal budget and include a description of the type of work to be performed, an estimate of quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents. Considering voters have already approved street bonds (see finding number 8.A), that improvement project should be included in the original maintenance plan developed by the board. At June 30, 2007, the Street Fund had a balance of approximately \$26,400, with reported disbursements for the previous six months totaling approximately \$8,600. While the year end balance for the Street Fund was not determinable (see finding number 1.B), city personnel indicated no significant street projects were completed in the latter half of 2007, indicating a cash balance still remains in the Street Fund at December 31, 2007.

Formal improvement plans would serve as a useful management tool and provide greater input into the overall budgeting process. Plans provide a means to continually and more effectively monitor and evaluate the progress made in the repair, maintenance, and improvement of the city streets throughout the year.

- C. The city has accumulated a significant cash balance in the Street Lighting Fund and should consider reducing the property tax levy. At June 30, 2007, the Street Lighting Fund had accumulated a cash balance of approximately \$21,850, with disbursements for the first six months of the year totaling \$2,595. Approximately \$7,000 was levied for the purpose of street lights in 2007. The city should consider the cash balance and future needs of the fund when setting the street light levy in the future.

WE RECOMMEND the Board of Aldermen:

- A. Perform a comprehensive review of this project and the various alternatives and related costs. The city should determine the feasibility of the project and if the bonds authorized by voters should be issued. Until such time that bonds are issued, a debt service levy should not be charged. In addition, \$4,280 should be transferred from the General Fund to the G.O. Street Bond Fund.
- B. Prepare a formal maintenance plan for the city streets at the beginning of the year and periodically update the plan throughout the year. The board should review the progress made to streets to make appropriate decisions on future projects.
- C. Review the cash balance of the Street Lighting Fund and consider reducing the property tax levy.

AUDITEE'S RESPONSE

- A&B. We are developing a street maintenance plan currently and will be making a decision on issuing bonds by year end.*
- C. We will be reducing this levy for the 2008 tax year.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF UNION STAR HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The city of Union Star is located in Dekalb County. The city was incorporated in 1935 and is currently a fourth-class city. The population of the city in 2000 was 433.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2007, are identified below. The Mayor and Board of Aldermen members are paid \$10 per month.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2007	
Debbie Pankau, Mayor	April 2007 – December 2007	
Mike Tritten, Mayor	January 2007 – March 2007	
Sharon Jenkins, Alderwoman	January 2007 – December 2007	
James Heine, Alderman (1)	June 2007 – December 2007	
Mike Lynn, Alderman	January 2007 – June 2007	
David Kariker, Alderman (2)	June 2007 – December 2007	
Sharon Karr, Alderwoman	January 2007 – June 2007	
Ronnie Marshall, Alderman(3)	June 2007- December 2007	
Mary Fuller, Alderwoman	January 2007 – June 2007	
Other Officials	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Sherri Mead, City Clerk (4)	July 2007 – December 2007	\$ 8,517
Pat Workman, City Clerk	January 2007 – July 2007	11,004

- (1) James Heine was elected April 2008 for a one-year term.
- (2) Chad Farmer was elected April 2008 for a two-year term.
- (3) Ronnie Marshall was elected April 2008 for a two-year term. He passed away in June 2008 and this position is currently vacant.
- (4) Sherri Mead resigned in January 2008 and Linda Pendleton was appointed to the position of City Clerk.

In addition to the officials identified above, the city employed 2 full-time employees on December 31, 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$	1,381,320
Personal property		631,005
Railroad and utility		78,140
Total	\$	<u>2,090,465</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

		Rate
General Fund	\$	<u>0.4203</u>
Lights		0.3556
Streets		0.3234

A summary of the city's financial activity for the six months ended June 30, 2007, is presented below:

CITY OF UNION STAR
FINANCIAL SUMMARY
SIX MONTH PERIOD ENDED JUNE 30, 2007

	General Fund	Water and Sewer Fund	Water Deposits Fund	Bond Reserve Fund	Police Fund	Street Fund	Street Lighting Fund	G.O Street Bond Fund	Extraordinary Income Fund	Park Fund	Cemetery Fund
Receipts											
Property Taxes	\$ 10,280					7,104	7,794	2,658			
Franchise Taxes	5,867										
Licenses and Permits	90					370					1,420
Water/Sewer Fees		45,671	695								
G.O. Street Bond Taxes	4,280										
Trash Fees		9,063									
Road Fees						9,156					
Interest	403	573	111	7	17		151	103	178		913
Miscellaneous	4,958	482			5,697	50				13,034	300
Transfers In					3,100						
Total Receipts	25,878	55,789	806	7	8,814	16,680	7,945	2,761	178	13,034	2,633
Disbursements											
Salaries and Fringe Benefits	8,352	10,120			3,810	381					519
Supplies	3,819	8,811			1,671	1,117					826
Insurance	404	768									
Trash Service		6,987									
Bond Payments		4,536									
Utilities	1,205	1,023					2,595				97
Payroll Taxes	1,100	2,095									
Repairs and Maintenance		909			466	1,595				5,510	161
Dues and Fees	544				1,680						
Water		14,920									
Equipment	557	211				5,540					
Elections	953										
Miscellaneous	924	1,214	150		4,018						
Transfers Out	3,100										
Total Disbursements	20,958	51,594	150	0	11,645	8,633	2,595	0	0	5,510	1,603
Receipts Over(Under) Disbursements	4,920	4,195	656	7	-2,831	8,047	5,350	2,761	178	7,524	1,030
Cash Balance January 1, 2007	9,500	49,770	17,567	9,214	5,010	18,363	16,502	16,485	357	4,468	37,294
Cash Balance June 30, 2007	\$ 14,420	53,965	18,223	9,221	2,179	26,410	21,852	19,246	535	11,992	38,324



Susan Montee, CPA
Missouri State Auditor

Troy/Lincoln County Transportation Development District



October 2008

Report No. 2008-71

auditor.mo.gov



Office Of
Missouri State Auditor
Susan Montee, CPA

October 2008

The following was reported in our audit of the Troy/Lincoln County Transportation Development District.

The Troy/Lincoln County Transportation Development District (TDD) was established on October 5, 2004, and is located in the city of Troy in Lincoln County. The district was initially formed for the purpose of renovating and upgrading the U.S. Highway 61/Highway 47 interchange and overpass, and the completion of other road work in that area. The district's registered voters approved the imposition of a 1 percent sales tax on all taxable transactions within the district effective November 1, 2004. The costs of the district's transportation projects were originally estimated at approximately \$14 million. However, in August 2005, the district's registered voters repealed the district's sales tax. The district received approximately \$1.2 million in sales tax revenues before it was repealed.

In October 2005, the board entered into an agreement with the Missouri Department of Transportation (MoDOT) to share in the cost of funding a reduced scope road project at an estimated cost of \$1.8 million, with the district agreeing to pay \$900,000 of the project costs. In June 2008, the district reimbursed MoDOT \$900,000 for its portion of the transportation project costs incurred. In July 2008, the board and MoDOT entered into a supplemental agreement whereby the district agreed to provide \$196,000 in additional funding to MoDOT to help pay the costs of a signal project at Missouri Highway 47/Fairgrounds Road/Ellis Avenue. The agreement provided that this payment was to be made to MoDOT in September 2008.

On April 9, 2008, the board approved a resolution formalizing its intent to: dissolve the district, request the required audit, and subsequently submit to its voters a ballot question to abolish the district. The State Auditor's Office has performed an audit of this TDD as required by state law. Our audit indicated the TDD's cash and investments balance at June 30, 2008, was sufficient to pay any remaining obligations and costs of the district, and concluded the TDD's Board of Directors can proceed with the abolishment of the district.

In addition, the district did not solicit requests for proposals for some professional services, overspent its budget in some years, and did not always submit its annual financial reports to the State Auditor's Office in a timely manner. Because this district is in the process of being abolished, no recommendations were made regarding these matters.

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YELLOW SHEET

TROY/LINCOLN COUNTY
TRANSPORTATION DEVELOPMENT DISTRICT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Charles H. Kemper, Jr., Chairman
and
Board of Directors
Troy/Lincoln County Transportation Development District
Troy, MO 63379

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On April 9, 2008, the Board of Directors of the Troy/Lincoln County Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

The district engaged Croghan & Croghan P.C., Certified Public Accountants (CPAs), and Wade Stables P.C., CPAs, to audit the district's financial statements for the year ended June 30, 2005, and the two years ended June 30, 2007, respectively. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firms. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, 2006 and 2005. The objectives of our audit were to:

1. Evaluate the financial status of the district and determine whether the district may be abolished pursuant to law.
2. Review the receipts, disbursements, and cash and investment balances of the district.
3. Determine if the district has complied with certain legal provisions.
4. Report our findings to the district's Chairman and Board of Directors.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and

placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Troy/Lincoln County Transportation Development District.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Robert L. McArthur II

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TROY/LINCOLN COUNTY
TRANSPORTATION DEVELOPMENT DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Status
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Our audit of the Troy/Lincoln County Transportation Development District (TDD) indicates the district's financial condition is such that it may be abolished, as it appears the district's assets exceed or meet its outstanding liabilities.

The Troy/Lincoln County TDD was established on October 5, 2004, by a circuit court order pursuant to a petition filed by the city of Troy and Lincoln County. The district's Board of Directors includes representatives from the city and county, and a local contractor. The registered voters of the district approved the imposition of a one percent (1%) sales tax on all transactions taxable within the boundaries of the district, effective November 1, 2004.

The TDD is located in the city of Troy in Lincoln County, at the intersection of U.S. Highway 61 and Missouri Highway 47, extending west to Mennemeyer Road and encompassing Lincoln Drive. The district includes retail, hotel/motel, restaurant, grocery, and other service establishments. Financial audits of the district were conducted by independent auditors for the three years ended June 30, 2007.

The district was initially established for the purpose of the renovation, upgrading, and replacement of the U.S. Highway 61/Missouri Highway 47 interchange and overpass; widening Missouri Highway 47 from Town Branch Creek to Mennemeyer Road; improvements to north and south Lincoln Drive; and the addition of a pedestrian walkway over Missouri Highway 47. The costs of these transportation projects were originally estimated at approximately \$14 million. However, in August 2005, the district's registered voters repealed the district's sales tax. The district received approximately \$1.2 million in sales tax revenues before the sales tax levy was repealed.

In October 2005, the board entered into an agreement with the Missouri Department of Transportation (MoDOT) to share in the cost of funding a reduced scope road project, involving the widening of Missouri Highway 47 and improvements at the Lincoln Drive intersection. The cost of this project was estimated at \$1.8 million, with the district agreeing to pay 50 percent (or \$900,000) of the project costs. MoDOT was responsible for the design, planning, and construction of this project, which is expected to be completed in October 2008.

In June 2008, the district made a payment of \$900,000 to reimburse MoDOT for its portion of the transportation project costs incurred. In July 2008, the board and MoDOT entered into a supplemental agreement whereby the district agreed to provide \$196,000 in additional funding to MoDOT to help pay the costs of a signal project at Missouri

Highway 47/Fairgrounds Road/Ellis Avenue. The agreement provided that this payment was to be made to MoDOT in September 2008.

On April 9, 2008, the board approved a resolution formalizing its intent to dissolve the district, request an audit as required pursuant to Section 238.275, RSMo, and subsequently submit to its voters a ballot question to abolish the district. The State Auditor's Office (SAO) was advised of this resolution on June 27, 2008.

The SAO has performed an audit of this TDD as required by Section 238.275, RSMo. That statute requires the state auditor to audit the district to determine the financial status of the district, and determine whether the district may be abolished pursuant to law. That law also states the district board shall not propose the question to abolish the district while there are outstanding claims or causes of action pending against the district, if its liabilities exceed its assets, or while the district is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the district from its establishment through June 30, 2008:

		Year Ended June 30,			
		2008	2007	2006	2005
RECEIPTS					
Sales taxes	\$	0	0	299,567	901,567
Gain on sale of/change in value of investments		16,234	12,504	5,299	0
Interest		32,679	39,822	12,488	0
Total Receipts		<u>48,913</u>	<u>52,326</u>	<u>317,354</u>	<u>901,567</u>
DISBURSEMENTS					
Engineering costs		0	2,331	598	31,893
Legal costs		3,611	7,469	35,639	6,308
Administration		15,000	16,000	16,196	13,452
Collection fees		0	0	4,397	7,623
Auditing fees		5,200	4,000	1,500	0
Insurance		5,808	6,104	6,206	6,850
Payment to MoDOT		900,000	0	0	0
Other		508	302	192	334
Total Disbursements		<u>930,127</u>	<u>36,206</u>	<u>64,728</u>	<u>66,460</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS		(881,214)	16,120	252,626	835,107
BEGINNING CASH AND					
INVESTMENTS		<u>1,103,853</u>	<u>1,087,733</u>	<u>835,107</u>	<u>0</u>
ENDING CASH AND					
INVESTMENTS	\$	<u>222,639</u>	<u>1,103,853</u>	<u>1,087,733</u>	<u>835,107</u>

Based on our audit of the district, it appears the district's cash and investments balance of \$222,639 at June 30, 2008, will be sufficient to pay any remaining obligations and costs of the district. On September 3, 2008, the district made the \$196,000 payment to MoDOT in accordance with the July 2008 supplemental agreement. The district's legal counsel has indicated the district's remaining funds (approximately \$27,000) will be needed to pay the final legal and other administrative expenses associated with dissolving the district.

Based on our audit of the district, it appears the TDD's Board of Directors can proceed with the abolishment of the district in accordance with Section 238.275, RSMo.

2.**Expenditures and Financial Reporting**

The district did not solicit requests for proposals for some professional services, overspent its budget in some years, and did not always submit its annual financial reports to the SAO in a timely manner.

- A. The district did not solicit requests for proposals for some professional services, including its primary legal counsel and administrator.

According to a district representative, the primary legal counsel was selected based on the firm's long-standing relationship with the city and county, its knowledge and background of the project, and the belief the selection would be the most cost effective and in the best interest of the district. Approximately \$50,000 was incurred in legal expenses from the district's establishment in 2004 through June 30, 2008, with the district being billed at \$150 per hour for these services.

In October 2004, the TDD entered into an agreement with a private administrative agency to provide tax collection and administrative services for the district. Approximately \$72,600 was paid to this administrative agency for these services through June 30, 2008.

Soliciting proposals for professional services helps provide a range of possible choices and allows for a better-informed decision to ensure necessary services are obtained from the best qualified service provider at the lowest and best cost.

- B. The district overspent its General Fund budget in 2006 and 2007 by \$1,007 and \$5,306, respectively. A formal budget amendment was not approved authorizing the additional expenditures in either year. Section 67.040, RSMo, provides that a political subdivision shall not increase the total amount authorized for expenditure unless a resolution is adopted setting forth the facts and reasons making the increase necessary, and an order or resolution authorizing the expenditures is approved.
- C. The district did not submit its 2006 or 2005 annual financial reports to the SAO in a timely manner. The district submitted a 2006 financial report in July 2007, followed by an audit report for the two years ended June 30, 2007 in December 2007. In addition, the district submitted a 2005 financial report in May 2006, followed by an audit report in September 2006.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four

months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Because this district is in the process of being abolished, we make no recommendations to the Board of Directors related to the above matters.



Susan Montee, CPA
Missouri State Auditor

HEALTH AND SENIOR SERVICES

Influenza Vaccine Compliance Requirements



October 2008
Report No. 2008-70

auditor.mo.gov



Better Implementation of New Law Relating to Influenza Vaccines Needed

The Department of Health and Senior Services (DHSS) provides education and information to the public and health care providers about appropriate administration, storage and handling of vaccines for children, adolescents and adults. The DHSS also ensures the influenza (flu) vaccine is available to as many Missourians as possible. Our audit objective was to evaluate compliance with state law restricting the amount of mercury in vaccines administered to children under 3 and knowingly pregnant women.

Some providers not notified of new state law

DHSS received complaints related to the new mercury-free state law from approximately 100 providers during the 2007-08 flu season, according to a DHSS official. This official said these providers inquired as to when DHSS became aware of the legislation and why the providers were not notified of the legislation. DHSS officials said DHSS communicated the new state law requirements to certain providers. However, DHSS did not notify some providers, professional organizations, or the public through any announcements or system wide notifications before the law became effective. In addition, many providers had already ordered flu vaccines before the notifications were sent. DHSS officials said the state law did not require DHSS to notify the public or providers of the new law; however, one of these officials said the public views DHSS as the resource to communicate new health alerts.

Some children received the flu vaccine containing mercury

Some children under 3 were, and some pregnant women may have been, inappropriately administered the flu vaccine containing mercury because the provider did not become aware of the law until after the flu season began (about six months after the law became effective in April 2007). In addition, a DHSS official stated DHSS received approximately 10 calls from providers who said they had already purchased the flu vaccine containing mercury before they became aware of the law. These 10 providers said they planned to continue to administer the vaccine to children under 3 and/or knowingly pregnant women, even though it violated state law.

Shortage of flu vaccine not defined

State law allows the Director of DHSS, with the approval of the Governor, to exempt the use of a mercury-free vaccine if a potential public health emergency exists, such as a shortage of vaccine. During the September 2007 Advisory Committee on Childhood Immunization (ACCI) meeting, the committee developed a recommendation to assist the Director in determining the circumstances under which an exemption to mercury-free flu vaccines should be enacted. The ACCI documentation stated the purpose of the recommendation is to ensure young children, who are at greatest risk for complications and hospitalizations from influenza, are appropriately immunized if there is a substantial delay or shortage in the supply of mercury-free vaccine. However, DHSS has not approved the committee's recommendation as of June 2008, a nine month delay.

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Abbreviations

ACCI	Advisory Committee on Childhood Immunization
CDC	Center for Disease Control and Prevention
DHSS	Department of Health and Senior Services
MSMA	Missouri State Medical Association
RSMo	Missouri Revised Statutes



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Jane Drummond, Director
Department of Health and Senior Services
Jefferson City, MO

The Department of Health and Senior Services (DHSS), Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Immunization Assessment and Assurance Unit provides education and information to the public and health care providers about appropriate administration, storage and handling of vaccines for children, adolescents and adults. The unit also ensures the influenza (flu) vaccine is available to as many Missourians as possible. Our audit objective was to evaluate compliance with state law restricting the amount of mercury in vaccines administered to children under 3 and knowingly pregnant women.

Improvements are needed to ensure children under 3 and knowingly pregnant women are not administered vaccines containing mercury because the Department of Health and Senior Services (DHSS) did not adequately notify providers of the new state law requirements. In addition, DHSS did not maintain documentation of provider complaints received, and did not adopt an advisory committee recommendation to define a flu vaccine shortage.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. Key contributors to this report included John Luetkemeyer and Amanda Locke.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Better Implementation of New Law Relating to Influenza Vaccines Needed

Improvements are needed to ensure children under 3 and knowingly pregnant women are not administered vaccines containing mercury because the Department of Health and Senior Services (DHSS) did not adequately notify some providers of the new state law requirements. In addition, DHSS did not maintain documentation of provider complaints received, and did not adopt an advisory committee recommendation to define a vaccine shortage.

Background

The DHSS, Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Immunization Assessment and Assurance Unit provides education and information to the public and health care providers about appropriate administration, storage and handling of vaccines for children, adolescents and adults. The unit also ensures the flu vaccine is available to as many Missourians as possible. Missouri's Advisory Committee on Childhood Immunization (ACCI) is required by state law¹ to develop plans to increase the childhood immunization rate in the state.

In 1999 and 2000, the United States Public Health Service, including the Food and Drug Administration, the National Institutes of Health, Center for Disease Control and Prevention (CDC), the Health Resources and Services Administration, and the American Academy of Pediatrics issued statements recommending vaccine manufacturers reduce or eliminate thimerosal² in vaccines as a precautionary measure. In 2001, the Institute of Medicine Immunization Safety Review Committee³ recommended "full consideration be given to removing thimerosal from any biological product to which infants, children, and pregnant woman are exposed."⁴ In 2005, the Missouri General Assembly established a state law⁵ requiring children under 3 and knowingly pregnant women be administered vaccines with no more than one microgram of mercury per five tenths milliliter dose (mercury-free). This law became effective April 1, 2007. Other states, including California, Illinois, Iowa and Delaware, have also established similar legislation.

¹ Section 192.630, RSMo

² Thimerosal is a mercury-containing organic compound.

³ The Immunization Safety Review Committee was a project within the Institute of Medicine that addressed current and emerging vaccine-safety concerns. The committee provided independent, non-biased advice to vaccine policy-makers, as well as practitioners and the public.

⁴ "Thimerosal in Vaccines," *United States Food and Drug Administration*, <<http://www.fda.gov/cber/vaccine/thimerosal.htm>> , accessed June 3, 2008.

⁵ Section 191.235, RSMo

Currently all routinely recommended pediatric vaccines contain no thimerosal, or only trace amounts, with the exception of the influenza (flu) vaccine. The flu vaccine is currently available in both a thimerosal-preservative containing formulation and in formulations containing no thimerosal, or only trace amounts. According to the CDC website,⁶ the CDC recommends children ages 6 to 59 months and pregnant women be administered with either reduced or standard mercury containing flu vaccine annually. However, the CDC also states there is no convincing evidence of harm from vaccines containing low doses of mercury, except for minor reactions at the injection site, and the risk of not vaccinating outweighs any theoretical mercury risk.

Scope and Methodology

To evaluate compliance with state law, we reviewed applicable state laws, interviewed officials and/or staff at DHSS, the ACCI, the American Academy of Pediatrics, the Missouri State Medical Association (MSMA) and a private practice. We also reviewed ACCI minutes, searched Internet sites and reviewed other applicable information to obtain additional background information.

Some Providers Not Notified of New Law

DHSS received complaints related to the new mercury-free state law from approximately 100 providers during the 2007-08 flu season, according to a DHSS official. This official said these providers inquired as to when DHSS became aware of the legislation and why the providers were not notified of the legislation. An MSMA official told us the organization also received complaints at the beginning of the flu season from approximately nine physicians that were not informed of the state law before they purchased the incorrect flu vaccine. This MSMA official also said the MSMA had not been informed of the state law and inquired with DHSS as to why better communication had not occurred.

DHSS officials said DHSS communicated the requirements of the new state law to providers that attended voluntary Vaccines for Children Program⁷ training courses in 2006. However, DHSS did not notify providers who did not attend the training courses, professional organizations, or the public through any announcements or system wide notifications before the law became effective in April 2007. In addition, DHSS initiated the following communications about the new state law: (1) information was sent to all

⁶ "Thimerosal in Seasonal Influenza Vaccine," Center for Disease Control and Prevention, <<http://cdc.gov/flu/about/qa/THIMEROSAL.HTM>>, accessed May 28, 2008.

⁷ The Vaccines for Children program is part of the federal immunization grant (CFDA No. 93.268) that allows DHSS to distribute vaccines to local health agencies and other providers who then distribute these vaccines to eligible children. Not all providers in the state are participants in the Vaccines for Children program.

Local Public Health Agencies in Missouri via email notifications through DHSS' "Friday Facts" electronic bulletins on June 15, 2007 and July 13, 2007, (2) an informational mailing was distributed to all Vaccines for Children providers on September 26, 2007, (3) information was distributed to Vaccine for Children participants along with the Vaccine for Children flu order form on October 3, 2007, (4) a survey was distributed to Vaccine for Children providers along with additional information regarding the legislation on October 18, 2007, and (5) the provisions of the new legislation were discussed at Influenza Workshops (not specifically for Vaccine for Children providers) on August 8, August 21, September 13 and September 18, 2007. However, the mailing and distribution of information did not occur until after the law had become effective and many providers had already ordered flu vaccines.

DHSS officials said the state law did not require DHSS to notify the public or providers of the new law; however, one of these officials said the public views DHSS as the resource to communicate new health alerts. This official said providers were also not notified by other professional organizations who support these providers.

Some children received the flu vaccine containing mercury

Some children under 3 were, and some pregnant women may have been, inappropriately administered the flu vaccine containing mercury. One provider told us her practice inappropriately administered the flu vaccine containing mercury to children under 3 before the provider became aware of the new state law. This provider did not become aware of the law until after the flu season began, about six months after the law became effective in April 2007. A DHSS official also said it is possible other children under 3 or pregnant women may have been administered the inappropriate vaccine based on the complaints DHSS received from providers. This official stated DHSS received approximately 10 calls from providers who said they had already purchased the flu vaccine containing mercury before they became aware of the law. These 10 providers said they planned to continue to administer the vaccine to children under 3 and/or knowingly pregnant women, even though it violated state law. According to a DHSS official, state law does not require DHSS to determine the extent that children under 3 or knowingly pregnant women had been administered vaccines containing mercury and DHSS does not have the funding or infrastructure to collect this information.

Providers may have incurred loss

Providers may have incurred a loss for ordering the incorrect flu vaccine. A DHSS official said it is possible providers incurred a loss if the inappropriate vaccine could not be administered to other patients. DHSS officials said they do not know the estimated loss incurred by the providers and one of these officials said DHSS has not performed any reviews to

	identify the estimated loss. This DHSS official further said DHSS is not required by state law nor does DHSS have the funding or infrastructure to collect this information.
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DHSS has not approved ACCI recommendation to ensure health alerts and updates are adequately communicated	During the April 2008 ACCI meeting, the committee addressed the inadequate communication of the flu vaccine requirements. The committee recommended DHSS work with the Board of Healing Arts and other practitioners to develop and establish a better way to communicate health alerts and updates. However, a DHSS official said the recommendation has not been approved nor implemented by DHSS as of June 2008.
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Documentation of complaints not maintained	DHSS did not maintain documentation of complaints received nor who made the complaints regarding DHSS' failure to notify providers of the new law. A DHSS official said no documentation was maintained of the conversations nor the specific complaints because DHSS was not directed to maintain this documentation. As a result, DHSS is unable to ensure appropriate action was taken to resolve complaints.
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Shortage of Flu Vaccine Not Defined	State law allows the Director of DHSS, with the approval of the Governor, to exempt the use of a mercury-free vaccine if a potential public health emergency exists, such as a shortage of vaccine. During the September 2007 ACCI meeting, the committee developed a recommendation to assist the Director in determining the circumstances under which an exemption to mercury-free flu vaccines should be enacted. The ACCI documentation stated the purpose of the recommendation is to ensure young children, who are at greatest risk for complications and hospitalizations from influenza, are appropriately immunized if there is a substantial delay or shortage in the supply of mercury-free vaccine. However, DHSS has not approved the committee's recommendation as of June 2008, a nine month delay. A DHSS official said the recommendation has not been approved by DHSS due to staff turnover in an upper management position.
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A DHSS official said DHSS conducted surveys with local public health agencies and private providers as of October 2007 to determine whether there was an adequate supply of the mercury-free flu vaccine. DHSS' survey identified the following based on provider inventory estimates:

- Of the 87 local public health agencies that responded to DHSS' survey, 56 (64 percent) and 52 (60 percent) did not have enough mercury-free vaccine for children under 3 and knowingly pregnant women, respectively.
- Approximately 25,300 additional doses of mercury-free vaccine were needed for the 220 private providers within the Vaccines for Children program who responded to the survey.

	A DHSS official said because providers were unaware of the new legal requirements and ordered the wrong vaccine, DHSS initially perceived a shortage of the mercury-free flu vaccine may have existed for the 2007-08 flu season. An ACCI member said informal discussions about declaring a state shortage occurred with the Director of DHSS; however, a shortage was not declared. A DHSS official said although DHSS became aware that supplies of mercury-free flu vaccine were still available, DHSS did not formally notify providers. The DHSS informally communicated with providers participating in the Vaccines for Children Program.
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Some may not have been vaccinated	A DHSS official said some providers may not have had the inventory to administer the mercury-free flu vaccine and some children under 3 or knowingly pregnant women may not have received the flu vaccine because of the incorrect orders of this vaccine. Not immunizing individuals against the flu vaccine could have led these individuals to have flu complications or hospitalization.
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Conclusions	DHSS did not adequately notify providers and the public of a new state law requiring children under 3 and knowingly pregnant women to be administered mercury-free vaccines. As a result, and contrary to the new law, some providers administered the flu vaccine containing mercury to children under 3 and possibly pregnant women. In addition, DHSS has not approved an advisory committee recommendation to ensure future health alerts and updates are distributed to health care providers, and did not maintain documentation of complaints received regarding DHSS' failure to adequately notify providers of the new law.
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DHSS also has not taken action to address an advisory committee recommendation to assist the Director in determining the circumstances under which an exemption to mercury-free flu vaccines should be enacted.

Recommendations	We recommend the Director of the Department of Health and Senior Services:
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- | | |
|-----|---|
| 2.1 | Approve and implement the ACCI recommendation to work with the Board of Healing Arts and other practitioners to ensure health alerts and updates are effectively communicated to the providers and to the public. |
| 2.2 | Maintain documentation of complaints received and actions taken to resolve complaints. |

Agency Comments

-
- 2.3 Address the ACCI recommendation to determine the circumstances under which an exemption to mercury-free vaccines should be enacted.

- 2.1 *DHSS concurs with this recommendation. DHSS is currently working to improve its collaborative efforts with professional organizations. The Bureau of Immunization Assessment and Assurance (BIAA) has revised its website to be more user-friendly and a better source of information for providers as well as citizens. The bureau will continue to update the website to ensure the most current information is available. The bureau will also continue to explore other avenues such as working with the Board of Healing Arts regarding future communications.*

As the top public health agency in Missouri, DHSS works hard to ensure citizens are properly immunized against diseases. The department accomplishes this through a variety of efforts, most notably the federally-funded VFC program. But while DHSS is acutely interested in immunization-related issues, it is important to understand that the DHSS-BIAA has neither the statutory authority nor the statutory responsibility for assuring health care providers meet influenza vaccine compliance requirements. Rather, health care providers bear the responsibility for assuring they are practicing medicine in compliance with applicable statutes and regulations.

- 2.2 *DHSS concurs with this recommendation. DHSS is developing procedures to document formal complaints. This will include documentation of actions taken to resolve complaints.*

- 2.3 *DHSS concurs with this recommendation. The ACCI chair, in collaboration with the State Epidemiologist, has drafted a policy regarding this issue. Once BIAA has completed its review of the policy, it will be sent to DHSS Director for approval.*

It should be noted that the DHSS Director did not declare a state shortage of preservative free vaccine during the 2007-2008 flu season because no such shortage occurred. In fact, VFC providers returned 4,073 doses of expired preservative free vaccine, which is considered wastage.



Susan Montee, CPA
Missouri State Auditor

HEALTH AND SENIOR SERVICES

School Children Immunization Compliance Requirements



October 2008

Report No. 2008-69

auditor.mo.gov



Better Procedures Needed to Ensure School Children Meet Immunization Requirements

The Department of Health and Senior Services (DHSS) is responsible for ensuring Missouri school children are appropriately immunized against vaccine preventable diseases. Superintendents of public and private schools are required to prepare and submit to DHSS a school summary report stating the immunization status of every child enrolled in or attending school in the superintendent's jurisdiction and a student exception report stating the names of any noncompliant students. Additionally, it is unlawful for any student to attend school unless the student has been properly immunized and can provide satisfactory evidence of such immunization, or unless the student has received appropriate approval for a medical exemption, religious exemption, or immunization in progress. Our audit concluded DHSS needs to do more to ensure students are properly immunized and schools report immunization information to DHSS.

Some schools did not submit school summary reports or submitted inaccurate reports

At least 169 schools did not submit the 2006-07 school summary report to DHSS as of November 13, 2006. For the 2007-08 school year, 172 of the 1,234 (13.9 percent) schools had not submitted school summary reports as of January 15, 2008, three months after the report due date. In addition, of 118 school summary reports tested for kindergartners during the 2007-08 school year, 16 (13.6 percent) were inaccurate. DHSS officials said there are no written policies for (1) when and how often a school is to be contacted to obtain delinquent school summary reports, and (2) the documentation required to support the follow-up performed with the school and the record retention period for such documentation.

DHSS did not ensure schools submitted accurate student exception reports

Reviews to ensure complete and accurate student exception reports are obtained from the schools were not initiated timely in the 2007-08 school year and were not completed in the 2006-07 school year. At the time of our review on February 19, 2008, 106 of 118 schools tested submitted 2007-08 school summary reports indicating they had kindergartners who were not in compliance with immunization requirements. As of May 6, 2008, 100 of the 106 schools had submitted a student exception report; however, 24 of the schools had submitted exception reports that were not complete and/or accurate. A DHSS official said there is no formal tracking performed to identify the schools that did not submit the required student exception report(s) to DHSS nor any documented policies for reviews.

Better regulations needed to protect non-immunized students during an outbreak

State regulations do not require schools to maintain a list of exempt students. Additionally, state regulations do not require exempt students to be excluded from school during outbreaks of vaccine preventable diseases. Changes are needed to ensure appropriate steps are taken in the event of an outbreak or epidemic.

DHSS not requiring compliance with federal recommendations

State law requires immunizations and their manner and frequency to comply with recognized standards of the medical practice. However, state regulations do not require the meningococcal vaccine or the human papillomavirus (HPV) vaccine and DHSS' immunization notifications sent to schools do not include requirements for school children to be vaccinated



Susan Montee, CPA
Missouri State Auditor

YELLOW SHEET

with the second dose of varicella, as federally recommended. In addition, DHSS' recommended administration of the tetanus, diphtheria, and pertussis (Tdap) booster for adolescents did not comply with federal recommendations. State regulations also do not require parents or guardians to be notified of any deviations from federal recommendations. The U.S. Department of Health and Human Services, Centers for Disease Control and Prevention guidance allows grantees 2 years to adjust assessment practices to reflect changes in Federal Advisory Committee on Immunization Practices (ACIP) recommendations. A DHSS official said the ACIP recommended the meningococcal and Tdap booster in 2005, and the HPV and second dose of varicella in 2006.

DHSS needs to make
improvements in other areas

Further improvements are needed to (1) better validate the state's immunization rate reported to the federal government, (2) increase the functionality and reliability of the school children immunization database, (3) ensure compliance with legal provisions concerning appointments to the Advisory Committee on Childhood Immunization, (4) establish a standard immunization record requiring a physician or health care administrator's statement verifying the vaccine was administered, (5) establish regulations for the retention of immunization records, (6) improve the effectiveness of DHSS' immunization registry, (7) perform analyses to identify populations at risk for vaccine preventable diseases, and (8) report immunization information to more stakeholders.

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Abbreviations

ACIP	Advisory Committee on Immunization Practices
CDC	U. S. Department of Health and Human Services, Center for Disease Control and Prevention
CSR	Code of State Regulations
DESE	Department of Elementary and Secondary Education
DHSS	Department of Health and Senior Services
DSS	Division of Social Services
HPV	Human Papillomavirus
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
Tdap	Tetanus, diphtheria, and pertussis booster



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Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Jane Drummond, Director
Department of Health and Senior Services
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The Department of Health and Senior Services (DHSS), Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Immunization Assessment and Assurance Unit is responsible for promulgating rules and regulations for school children immunizations and tracks immunizations mandatory for school children. Our audit objectives included (1) evaluating state and school procedures to ensure students are properly immunized, (2) evaluating established controls to ensure the integrity and reliability of immunization data, and (3) analyzing state laws and regulations and any potential changes needed.

Our audit concluded DHSS needs to do more to ensure students are properly immunized and that all schools report immunization information to DHSS. Further improvements are needed to (1) comply with federal recommendations regarding specific immunizations and dosages and (2) require schools to comply with regulations requiring a statement from a physician or health care administrator stating the vaccine was administered.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer. Key contributors to this report included Amanda Locke, Edward Morgan and Darrell Wolken.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Missouri Department of Health and Senior Services (DHSS), Division of Community and Public Health, Section for Disease Control and Environmental Epidemiology, Bureau of Immunization Assessment and Assurance Unit is responsible for ensuring Missouri school children are appropriately immunized against vaccine preventable diseases. DHSS services include surveying public and private schools to determine the immunization rates for school children, performing validation assessments of the immunization rates received from the schools, and reporting the results to the U. S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC).

The federal Advisory Committee on Immunization Practices (ACIP) provides advice and guidance to the CDC on the control of vaccine preventable diseases by developing written recommendations for the routine administration of vaccines to children and adults in the civilian population. These recommendations include age for vaccine administration, number of doses and dosing interval, and precautions and contraindications. The ACIP is the only entity in the federal government that makes such recommendations.

Missouri's Advisory Committee on Childhood Immunization is required by state law¹ to develop plans to increase the immunization rate in the state, identify comprehensive immunization monitoring systems, determine how to analyze and communicate immunization information to stakeholders and determine how demographic and immunization data for children under the age of five shall be obtained and entered into the computer system.

Relevant Legal Requirements

The compulsory attendance state law² requires all children who are between the ages of seven and sixteen and students enrolled in a public school between the ages of five and seven to attend an academic program on a regular basis. Another state law³ and/or regulation⁴ requires school children to be immunized against diphtheria, tetanus, pertussis, polio, measles, mumps, rubella, hepatitis B, and varicella. In addition, state law allows DHSS, by regulation, to modify the immunizations required of children to conform to recognized standards of medical practice. This law and/or regulation states it is unlawful for any student to attend school unless the student has been properly immunized and can provide satisfactory evidence of such immunization, or unless the student has received appropriate

¹ Section 192.630, RSMo

² Section 167.031, RSMo

³ Section 167.181, RSMo

⁴ 19 CSR 20-28.010

approval for a medical exemption, religious exemption, or immunization in progress.⁵

Superintendents of public and private schools are required to prepare a record stating the immunization status of every child enrolled in or attending school in the superintendent's jurisdiction. DHSS regulations and procedures require the school superintendent to submit a "Summary Report of Immunization Status of Missouri Public, Private, and Parochial School Children" (school summary report), to DHSS no later than October 15th of each school year identifying the status of each student by grade and vaccine. School superintendents are also required to report the name of any parent or guardian who neglects or refuses to immunize a nonexempt student as well as the name of the noncompliant student to DHSS on the "Report of Students in Noncompliance with Missouri School Immunization Law" (student exception report), by October 15th. DHSS procedures require each school superintendent with a nonexempt student to provide a follow-up status for each noncompliant student to DHSS within 30 days.

According to Department of Elementary and Secondary Education (DESE) and/or Department of Social Services (DSS) officials, any parent or guardian who does not comply with the compulsory attendance law is in violation and could be reported to (1) DSS Children's Division⁶ for an investigation or family assessment of educational neglect, (2) the local juvenile authority or (3) the prosecuting attorney for enforcement of criminal penalties.⁷

Childhood Immunization Funding

DHSS received federal funding for childhood immunization activities under the CDC Section 317 Operations Program grant. In calendar year 2007, the Section 317 grant funded DHSS \$3.2 million⁸ towards the state's

⁵ State regulations allow a student whose immunization is in progress to attend school as long as an immunization series has started and satisfactory progress is being accomplished. Failure to meet the next scheduled appointment constitutes noncompliance with the school immunization law and exclusion should be initiated immediately.

⁶ The Children's Division receives reports on child abuse and neglect via a telephone hotline from mandated reporters, including school personnel. If an investigation is performed and a preponderance of evidence finding related to educational neglect is reported, the parent or guardian will be included on the Child Abuse and Neglect Central Registry, or the list of persons who have a substantiated report of child abuse and neglect.

⁷ Section 167.061, RSMo

⁸ The Section 317 Operations Program is a federal grant under Catalog Federal Domestic Assistance 93.268 Immunization Grants. The \$3.2 million funded to DHSS by the 317 grant does not include any other federal funds received to support the vaccines reimbursed to DHSS by the Section 317 funds nor any of the funding for the Vaccines for Children program.

immunization activities. DHSS officials informally estimated activities related to school children immunization would compromise about 10 percent of the grant funds received.

Federal reporting requirement

Each grantee of the Section 317 federal grant is required to submit immunization population assessment data to the CDC annually. The purpose of the annual report is to estimate program-wide immunization coverage and exemption rates for kindergartners and middle school children. DHSS performs validation assessments of selected schools for kindergarten and seventh grade students to ensure the accuracy of immunization data reported by schools to DHSS. For the 2006-07 school year, DHSS performed validation assessments of 2,655 kindergarten students in 71 schools and 2,491 seventh grade students in 67 schools by reviewing the immunization records maintained by the school. The data from the validation assessments are then used to monitor progress towards the CDC's 2010 Healthy People Goals. These goals include (1) 95 percent of the students in kindergarten be vaccinated against diphtheria/tetanus/acellular/pertussis, measles/mumps/rubella, polio, hepatitis B, and varicella; and (2) 90 percent of the adolescents aged 13 to 15 years be vaccinated against hepatitis B, measles/mumps/rubella, tetanus/diphtheria booster, and varicella. However, we are not confident Missouri is meeting the Healthy People goals because schools do not submit complete and accurate reports and DHSS' validation assessment procedures are inadequate. The CDC also requests each grantee to submit information about the grantee's immunization law and policies for school children.

Scope and Methodology

To evaluate whether state policies and procedures ensure school children are properly immunized, we interviewed officials and staff at DHSS, DSS, DESE, and the CDC. We also reviewed available policies, procedures, state law, regulations and other applicable information.

To evaluate whether controls to ensure the state's Advisory Committee on Childhood Immunization appointment processes and procedures are adequate to meet state requirements, we requested and reviewed the listing of appointed members, their terms, and their respective credentials.

To evaluate the immunization policies and procedures established by schools, we selected 55 schools from DHSS' list of schools as of January 15, 2008. Of the 55 schools, 25 were selected because school summary reports had not been submitted as of January 15, 2008. We were able to contact 45 school officials and obtained the schools' immunization policies and procedures. We compared the schools' policies and procedures to those established by state law, regulations, or DHSS procedures to ensure

compliance. For 12 of the 45 schools contacted, we specifically inquired whether the schools allowed noncompliant students to attend school.

To determine schools that did not submit required reports, we obtained DHSS' listing of schools for the 2006-07 and 2007-08 school years that had not submitted required reports as of November 13, 2006 and January 15, 2008, respectively.

To determine whether DHSS' listing of schools operating in Missouri was complete, we performed Internet searches and obtained listings of public and private schools from DESE. We compared our results to the January 15, 2008, report obtained from DHSS listing the schools for the 2007-08 school year. We provided the results to a DHSS official for review and analysis in March 2008.

We judgmentally selected 25 schools from each of the 2006-07 and 2007-08 school years from DHSS' list of schools that did not submit the Summary Report for those years. We obtained documentation from DHSS and evaluated whether adequate follow-up was performed by DHSS and whether adequate documentation had been maintained to support the follow-up for 49 schools, as we subsequently determined one of the schools was closed.

We obtained the school summary reports received by DHSS for the 2007-08 school year to identify the total noncompliant kindergartners. We reviewed 118 school summary reports and obtained the respective student exception reports from DHSS. We evaluated whether complete and accurate student exception reports had been submitted, and if not, whether adequate follow-up was performed by DHSS.

To determine whether adequate documentation had been maintained to support school validation assessments, we obtained a list of the validation assessments performed in the 2006-07 school year and judgmentally selected and reviewed 25 validation assessments.

To evaluate Missouri's state law, regulations and procedures, we reviewed state law and regulations and compared them to the law and regulations in 8 surrounding states (Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee). We contacted health and/or education officials in each of these states to determine certain immunization processes and procedures.

Ineffective Procedures to Ensure School Children are Immunized

DHSS needs to do more to ensure students are properly immunized and that all schools report immunization information to DHSS. Further improvements are needed to (1) protect non-immunized students from exposure during an outbreak, (2) comply with federal recommendations regarding specific immunizations and dosages, (3) better validate the state's immunization rate reported to the federal government, (4) increase the functionality and reliability of the school children immunization database, and (5) ensure compliance with legal provisions concerning appointments to the Advisory Committee on Childhood Immunization.

Procedures to Ensure Students are Properly Immunized are Ineffective

DHSS has not performed adequate oversight to ensure (1) schools submit complete and accurate school summary reports, (2) schools submit complete and accurate student exception reports when applicable, (3) noncompliant students do not attend school, and (4) noncompliant schools are formally notified of legal requirements. Additionally, state law has not established any penalties for schools that do not comply with state law or regulations.

DHSS officials said staffing limitations, prioritizing staff for other responsibilities, and limited funding have prevented DHSS from obtaining required reports and performing adequate reviews of the reports. Another DHSS official said state law does not require DHSS to perform any procedures to ensure reports are obtained for each public and private school nor to ensure completeness or accuracy of the information submitted.

Some schools did not submit school summary reports or submitted inaccurate reports

At least 169 schools did not submit the 2006-07 school summary report to DHSS as of November 13, 2006. For the 2007-08 school year, 172 of the 1,234 (13.9 percent) schools had not submitted school summary reports as of January 15, 2008, three months after the report due date. In addition, of 118 school summary reports tested for kindergartners during the 2007-08 school year, 16 (13.6 percent) were inaccurate.

DHSS officials said there are no written policies for (1) when and how often a school is to be contacted to obtain delinquent school summary reports, and (2) the documentation required to support the follow-up performed with the school and the record retention period for such documentation.

We tested 49 schools that had not submitted school summary reports by the October 15th deadline for the 2006-07 and 2007-08 school years to determine whether DHSS adequately performed follow-up procedures to obtain the delinquent school summary reports. Table 2.1 shows the results of our testwork.

Table 2.1: Analysis of Reviews Performed by DHSS to Obtain Delinquent School Summary Reports

Number of schools	No	Yes	Total
Adequate documentation to support DHSS contacted the school to obtain delinquent report as of March 3, 2008	39	10	49
Delinquent report subsequently submitted by school as of April 25, 2008	30	19	49

Source: SAO analysis based on information obtained from DHSS.

School summary reports not compared to student enrollment

According to DHSS officials, procedures have not been established to compare the enrollment reported per the school summary reports to the enrollment reported by DESE for public schools to ensure immunization statuses are reported for all enrolled students. For example, we identified one school whose enrollment totals for kindergartners and 7th graders per the 2007-08 school summary reports were 2,102 and 1,810 while the enrollment data according to DESE's website were 2,564 and 2,549 students, a difference of 462 and 739 students, respectively.

Additional Internet searches needed to identify schools not reporting

DHSS staff reviews certain websites, such as DESE's, to search for schools that do not report student immunization information. As of January 2008, DHSS had identified 639 private schools; however, our Internet searches identified at least 9 (1.4 percent) additional private schools for the 2007-08 school year that were not on the list and had not submitted required immunization reports. We provided the results to a DHSS official for follow-up with the schools. DHSS officials stated these schools were not previously identified because there is no comprehensive listing of private schools in Missouri and state law does not require DHSS to perform any searches.

DHSS did not ensure schools submitted accurate student exception reports

Reviews to ensure complete and accurate student exception reports are obtained from the schools were not initiated timely in the 2007-08 school year and were not completed in the 2006-07 school year. At the time of our review on February 19, 2008, 106 of 118 schools tested submitted 2007-08 school summary reports indicating they had kindergartners who were not in compliance with immunization requirements. To determine whether DHSS performed adequate procedures to obtain the corresponding student exception reports, we (1) determined whether the student exception report had been submitted to DHSS, (2) determined whether DHSS contacted schools to obtain delinquent student exception reports, and (3) compared the total noncompliant kindergartners reported per the student exception reports to those reported per the school summary reports to ensure all kindergartners were accounted for properly. Table 2.2 shows schools did not submit reports timely and DHSS did not perform adequate or timely procedures to obtain the student exception reports.

Table 2.2: Analysis of Reviews Performed by DHSS to Obtain Delinquent Student Exception Reports

Number of schools	No	Yes	Total
Did the school submit student exception report(s) by February 18, 2008	67	39	106
Did DHSS contact the school between February 19 and March 28, 2008	18	49	67

Source: SAO analysis based on information obtained from DHSS.

As of May 6, 2008, 100 of the 106 schools had submitted a student exception report; however, 24 of the schools had submitted exception reports that were not complete and/or accurate. A DHSS official said there is no formal tracking performed to identify the schools that did not submit the required student exception report(s) to DHSS nor any documented policies for reviews.

Some schools allowed noncompliant students to attend school

Of the 12 schools contacted, we identified two schools that allowed noncompliant students to attend school. In addition, a DHSS official told us of two other schools that allowed noncompliant students to attend school. DHSS procedures require schools to submit a follow-up status update for the noncompliant students within 30 days of the original student exception report. However, some schools simply note the updated status for noncompliant students as "no change." A DHSS official said DHSS attempts to follow-up with these schools as staff time permits.

Currently, DHSS regulations do not require schools to report (1) regular status updates for noncompliant students, (2) whether noncompliant students continue attending school, (3) reasons why a student remains noncompliant, and (4) procedures performed by the school to bring students into compliance.

Additional guidance needed for students in the process of being immunized

State regulations do not specify the amount of time a student can remain in school before the student becomes compliant with immunization requirements, or the responsibility of schools to ensure these students are progressing towards compliance. Arkansas, Iowa, Kentucky, and Nebraska have state laws or regulations specifying the maximum periods for the in progress or provisional enrollment to be valid. Arkansas regulations specifically state it is the responsibility of the school to assure the student completes the required doses on schedule.

A DHSS official said the intent of the regulations is that the schools should be obtaining satisfactory evidence to support the immunization was administered and adequate tracking should be in place by the schools to ensure students in the process of meeting requirements comply with the next scheduled appointment.

Penalties for noncompliant schools needed

State law⁹ does not contain provisions to penalize schools that (1) do not submit the required immunization reports to DHSS, (2) allow non-immunized students to attend school and (3) do not enforce the compulsory attendance state law.¹⁰ Additionally, state regulations do not require DHSS to formally notify schools not in compliance with these state laws.

DHSS officials said DHSS attempts to notify noncompliant schools of the requirements and/or gain an understanding of school procedures; however, this follow-up is not consistently performed. DHSS officials also said DHSS does not have the authority to require schools to comply with state law nor are there any penalties in the law for noncompliant schools. The Illinois administrative code allows a reduction in a school's state aid payments if school officials do not submit required immunization reports.

Best Practices Would Better Protect Non-immunized Students During an Outbreak

State regulations do not require schools to maintain a list of exempt students. Additionally, state regulations do not allow schools to exclude exempt students from school during outbreaks of vaccine preventable diseases. Further, of 45 schools contacted, 37 had immunization policies but only 7 had policies specifying the exclusion of exempt students in the event of an outbreak.

Arkansas regulations require a list of all exempt students to be maintained by the school and these students to be excluded from the school if the Health Department determines that an outbreak of the related disease exists in the local community. Arkansas state law indicates the tracking of students with exemptions is performed to ensure appropriate steps are taken in the event of an outbreak or epidemic. An Oklahoma official said state regulations require exemptions to be approved by the Oklahoma Department of Health to ensure exempt students are identified in the event of an outbreak. Iowa state regulation requires religious exemptions to be null and void during times of emergency.

DHSS officials stated the communicable disease state law and regulation¹¹ provide DHSS with the authority to exclude non-immunized students during an outbreak. The religious and medical exemption form completed by the parent, guardian or physician also states non-immunized students are subject to exclusion from school when outbreaks of vaccine preventable diseases occur. However, a current listing of exempt students is needed to ensure

⁹ Section 167.181, RSMo

¹⁰ Section 167.031, RSMo

¹¹ Section 192.020, RSMo and 19 CSR 20-20.040

school and health personnel are able to take quick action to protect these students in the event of an outbreak.

DHSS Not Requiring Compliance with Federal ACIP Recommendations

State law requires immunizations and their manner and frequency to comply with recognized standards of the medical practice. However, state regulations¹² do not require the meningococcal¹³ vaccine or the human papillomavirus (HPV) vaccine and DHSS' immunization notifications sent to schools do not include requirements for school children to be vaccinated with the second dose of varicella, as recommended by the ACIP. In addition, DHSS' recommended administration of the tetanus, diphtheria, and pertussis (Tdap) booster for adolescents did not comply with ACIP recommendations. State regulations also do not require parents or guardians to be notified of any deviations from ACIP recommendations. CDC guidance allows grantees 2 years to adjust assessment practices to reflect changes in ACIP recommendations. A DHSS official said the ACIP recommended the meningococcal and Tdap booster in 2005, and the HPV and second dose of varicella in 2006.

A DHSS official said the state's Advisory Committee on Childhood Immunization recommended the Tdap and second dose of varicella be required per regulations. However, this official said legislation introduced in the 2008 session delayed changes to the regulations. Also, another DHSS official stated the HPV and meningococcal immunizations were not added to DHSS' regulations because there was not adequate funding to support the cost of the vaccine for uninsured students.

In February 2008, the ACIP recommended school children be vaccinated annually with the influenza vaccine. DHSS officials should consider this vaccine when revising state regulations.

According to the CDC website,¹⁴ immunizing children protects the health of children and the emotional and financial well being of their families and communities as well as protects the health of children who cannot be vaccinated due to medical reasons, such as a weakened immune system due to chemotherapy. A child who is not immunized against vaccine preventable

¹² 19 CSR 20-28

¹³ According to the CDC website, meningococcal conjugate vaccine helps prevent against bacterial meningitis; HPV helps prevent against sexually transmitted diseases, including cervical cancer and genital warts; Tdap helps prevent against lockjaw, diphtheria, and whooping cough; varicella helps prevent chicken pox.

¹⁴ "ABCs of Childhood Vaccines," *Center for Disease Control and Prevention*, <<http://www.cdc.gov/vaccines/vac-gen/ABCs/downloads/2-ABCs-Risks.ppt#2>>, accessed April 22, 2008.

diseases is at risk of a serious illness or even death. According to a DHSS official, in 2007 there were 79 confirmed or probable cases of pertussis, 10 confirmed or probable cases of meningococcal, and 895 confirmed or probable cases of varicella for children 18 years of age and younger in Missouri.

Procedures to Report and Validate Immunization Rates Need Improvement

DHSS is required to submit immunization rates to the CDC annually. The source of the information reported is obtained from the results of DHSS' validation assessments of selected schools for kindergarten and seventh grade students. DHSS did not ensure validation assessments included an adequate representation of private schools, and did not ensure that the work of staff was properly performed, documented and retained.

Sampling methods and procedures may not comply with CDC recommendations

DHSS does not select the schools or students to be assessed using a random sampling method. However, DHSS inaccurately reported it uses a random selection to the CDC. DHSS excludes public schools with an enrollment size of less than 25 students. Private schools are also excluded except in special circumstances. The method of selection for students is based on class enrollment size and students in smaller classes have a greater chance of being selected. A CDC official said the CDC recommends a random sample as it provides each school or student an equal probability of being selected. By excluding certain schools and students based on enrollment size, each school or student is not provided an equal probability of being selected.

According to CDC guidance and a CDC official, the CDC provides services to states that request the CDC's assistance in selecting a random sample. Kansas and Kentucky officials said the CDC assists their states in establishing samples. A DHSS official said DHSS was aware the CDC provided services to states; however, DHSS believed CDC's assistance was unnecessary because current procedures were adequate. A DHSS official said DHSS will use the CDC's assistance during the 2008-09 school year validation assessment cycle.

School validation assessments not adequately documented

DHSS did not ensure the work of staff conducting validation assessments or evidence of supervisory review was properly documented. DHSS was not able to provide documentation identifying the names of each student reviewed, the student's date of birth, or vaccination dates for the 25 validation assessments we reviewed. In addition, a DHSS official said staff are not required to submit this data for supervisory review.

Best practices require the work of staff to be properly documented and reviewed. A DHSS official said the CDC nor state law requires validation documentation to be maintained; however, the official said if new

requirements are issued by the CDC then DHSS will adjust their procedures to meet CDC's requirements.

School Children Immunization Database Requires Improvement

DHSS uses a database to document (1) the schools required to submit school summary and student exception reports, (2) the schools that submitted school summary reports, and (3) the immunization rates by grade and vaccine from the school summary reports. A DHSS official said the database is old and does not completely support the business needs of the department.

DHSS officials said there is no funding available to support a new database nor is there any information technology support for this database. These officials said there are options to accommodate some of the business needs. The Section for Healthy Families and Youth uses a web application to obtain data from schools and it is possible the immunization rates for school children could be calculated by this application as well. The immunization registry may also be an option if the registry is modified. During our review, we found improvements are needed in the following areas:

- Application accessibility
- Edit checks
- Tracking of noncompliant students
- Reporting
- Record retention

Database is not accessible

The immunization database is not accessible to public or private schools. As a result, DHSS manually enters immunization information from school summary reports for over 1,200 schools. A DHSS official said a web application would better support the needs of the department and reduce time required of DHSS staff for data entry. Illinois and Oklahoma officials indicated schools are able to submit immunization results using an online application. A Kentucky official said an online database is being established for schools to submit immunization data.

Immunization database lacks key edit checks

The immunization database lacks key edit checks¹⁵ to effectively identify inaccurate, incomplete, or invalid information, as recommended by accepted standards. According to accepted standards,¹⁶ data entered for processing by users should be subject to a variety of controls to check for accuracy, completeness and validity. A DHSS official agreed the immunization database does not have edit checks to identify:

- Inaccurate student totals
- Inaccurate exemption totals
- Omitted data in key fields

Without edit checks in place to enforce the controls necessary to meet business requirements, management is unable to accurately confirm the data entered has been checked for accuracy, completeness, or validity, as required by accepted standards.

Tracking of noncompliant students needed

The immunization database does not contain fields to identify the number of noncompliant students by grade or vaccine, or the names of the noncompliant students. A DHSS official said the immunization database does not have the capability to maintain this information.

During the 2005-06 school year, DHSS maintained a separate database to track the number of noncompliant students by grade. However, the database did not identify the number of noncompliant students by vaccine or the names of the noncompliant students. No formal tracking was performed of the noncompliant students for the 2006-07 and 2007-08 school years. A DHSS official said the number of noncompliant students was not recorded in a separate database beginning with the 2006-07 school year because the noncompliant information reported to the CDC was based on the validation assessments rather than the results from the schools.

To determine the estimated number of noncompliant students each year, DHSS has to perform manual calculations based on the results from the immunization database. The accuracy of these calculations is questionable due to the accuracy concerns of the database.

¹⁵ An edit, also known as a data validity check, is program code that tests the input for correct and reasonable conditions, such as account numbers falling within a range, numeric data being all digits, dates having a valid month, day, and year, etc.

¹⁶ We based our evaluation on accepted standards and best practices from IT Governance Institute. COBIT 4.0: *Control Objectives, Management Guidelines, Maturity Models*. Rolling Meadows, IL: IT Governance Institute, 2005.

Immunization database lacks reports

The immunization database lacks reporting capabilities. Currently, the immunization database only generates immunization status reports for the state, region and county by grade and vaccine or summary by vaccine. Examples of reports not generated include (1) comprehensive immunization status reports by school, county, region or zip code and (2) status reports for each school by grade and vaccine or summary by vaccine. As a result of the database not generating adequate immunization status reports, management is unable to compare immunization rates by school to determine populations with low immunization rates or identify schools with significant fluctuations.

Immunization data not adequately retained

The immunization database is not capable of maintaining immunization data for more than one school year. DHSS officials said only the physical reports produced from the database can be maintained after the school year is complete as the electronic data produced from the database is not in a usable format. Without data being maintained from the prior years, DHSS is unable to perform efficient comparisons of the immunization rates from one year to the next at the appropriate levels, such as by school, to determine if there were any significant fluctuations.

DHSS does not maintain all physical reports produced from the immunization database. A DHSS official said the listing of schools required to submit an immunization report was not available for the 2006-07 school year data nor could the reports be reproduced since the data was purged from the immunization database. A listing of schools that did not submit the school summary reports was not maintained after November 2006.

Improvements to the Appointment Process for the Advisory Committee on Childhood Immunization Needed

Two committee appointees did not possess necessary credentials required by state law. One of the appointees was not licensed in the required medical field and the other appointee was not serving in the particular position at DHSS as required by state law. At least one appointment is currently vacant. In addition, DHSS has not maintained key documents to support compliance with state law, including a comprehensive list of the appointed members, the appointment terms for each member, or the credentials of the appointed members. As a result, DHSS is unable to validate whether the committee members' terms has expired, or whether members possess the required credentials.

State law¹⁷ established the Advisory Committee on Childhood Immunization comprised of 14 members from both DHSS and private

¹⁷ Section 192.630, RSMo

practice who meet various conditions prescribed by state law. The members are appointed by the Director of DHSS.

Conclusions

DHSS officials did not ensure complete and accurate immunization reports were obtained from schools. Additional procedures are needed to ensure students are immunized, and noncompliant schools are notified of legal requirements. In addition, state law does not contain penalty provisions for schools that fail to comply with state laws relating to immunization.

State regulations do not require schools to maintain a list of exempt students, or allow schools to exclude exempt students from school in the event of an outbreak.

DHSS does not require students to be immunized against all federally recommended vaccine preventable diseases or with the recommended dosages.

DHSS procedures to validate the immunization rate reported to CDC do not comply with CDC recommendations. Additionally, validation assessments and evidence of review are not properly documented.

The immunization database lacks functionality and does not adequately ensure the integrity and reliability of the immunization data.

DHSS has not complied with legal provisions related to appointments to the Advisory Committee on Childhood Immunization, and key appointment documents have not been maintained.

Recommendations

We recommend the Director of the Department of Health and Senior Services:

- 2.1 Improve procedures to ensure schools report complete and accurate immunization reports.
- 2.2 Establish regulations, in consultation with DESE, to require schools to report the status of noncompliant students, whether those students continue attending school, reasons why a student remains noncompliant, and actions taken by the school to ensure students become compliant.
- 2.3 Establish regulations, in consultation with DESE, to specify the amount of time a student can remain in school before a student becomes compliant with immunization requirements and to clarify

that schools are responsible for ensuring students progress towards compliance.

- 2.4 Pursue legislation to establish penalty provisions for schools that do not comply with state law or regulations relating to immunization.
- 2.5 Formally notify noncompliant schools of state laws and regulations regarding immunization requirements.
- 2.6 Establish regulations, in consultation with DESE, to require schools to maintain a list of exempt students, to clarify that schools may exclude exempt students from attending school in the event of an outbreak, and to implement procedures to validate the schools maintain this list during the validation assessments.
- 2.7 Revise state regulations, in consultation with DESE, to comply with ACIP recommended immunizations, and/or notify parents or guardians of any deviations from federal recommendations.
- 2.8 Ensure procedures to validate immunization information comply with CDC requirements, and ensure validation assessments and supervisory review are adequately documented.
- 2.9 Improve the functionality and reliability of information contained in the school children immunization database.
- 2.10 Comply with legal provisions and maintain documentation regarding appointments to the Advisory Committee on Childhood Immunization.

Agency Comments

- 2.1 *DHSS concurs with this recommendation. Section 167.181.4, RSMo, charges each school superintendent to prepare “. . . a record showing the immunization status of every child enrolled in or attending a school under his jurisdiction.” DHSS will work with the DESE to establish policies and procedures to ensure school reports are complete and will validate the accuracy of these records as defined by CDC. Instructions included with the immunization status reports sent to schools will be revised to emphasize the importance of accurately completing the reports. DHSS will collaborate with DESE to develop procedures to document and follow-up with non-compliant schools.*
- 2.2 *DHSS concurs with this recommendation. Section 167.181.4, RSMo, requires schools to report the immunization status of non-exempted*

children to DHSS. In June 2008, the DHSS Bureau of Immunization Assessment and Assurance (BIAA) enhanced the reporting mechanism for schools that report noncompliant students in order to provide guidance for appropriate follow-up and documentation. DHSS will collaborate with DESE to explore establishing regulations, policies, and procedures for follow-up with schools that continue to have noncompliant students.

2.3 *DHSS concurs with this recommendation. DHSS will confer with DESE on establishing regulations to specify the amount of time a student may remain in school before a student becomes compliant with immunization requirements. DHSS will also confer with DESE regarding the responsibility of schools to ensure students progress towards compliance. Pending the outcome of those discussions, regulations, policies, and procedures will be established as appropriate to clarify the school's responsibility with regard to noncompliant students.*

2.4 *DHSS does not concur with this recommendation. While the department strongly supports efforts to ensure school children are immunized, DHSS feels it is inappropriate for the department to pursue legislation that could negatively impact state funding for public schools. Public school funding falls under the purview of DESE, so if penalties as recommended by the State Auditor are to be pursued, DHSS believes DESE is the appropriate department to lead such efforts.*

SAO Comment:

Any penalties established should only impact schools that are notified of noncompliance and still choose not to comply with state immunization laws and regulations.

2.5 *Implemented – DHSS complies with this recommendation by annually mailing an information packet to all Missouri public, private, and parochial schools. The packets contain a copy of state regulation 19 CSR 20-28.010 (immunization requirements for school children).*

SAO Comment:

Our recommendation is specifically directed towards DHSS formally notifying those schools not in compliance with state immunization laws and regulations. An annual mailing of information packets to all schools does not accomplish the objective of our recommendation.

-
- 2.6 *DHSS concurs with this recommendation. The requirement for schools to maintain all exemptions for school children on file is found in 19 CSR 20-28.010. BIAA will collaborate with the DHSS Bureau of Communicable Disease Control and Prevention, along with DESE, to review regulations and procedures regarding exclusion of non-immunized students in the event of an outbreak and establish procedures for educating schools during validation assessments.*
- 2.7 *DHSS concurs with this recommendation. The purpose of state regulation 19 CSR 20-28.010 is to establish the minimum immunization requirements for school children. A revised version of this regulation has been forwarded to the Missouri Secretary of State's Office for publication in the Missouri Register as a proposed rule. The revision will add more ACIP-recommended immunizations, including a second varicella dose and Tdap booster.*

*It is important to understand that while DHSS **recommends** all ACIP-approved immunizations, it does not **require** all such immunizations for school attendance. The reasons for this differ by vaccine, but include not requiring immunizations for diseases that should not be transmitted in a school setting and/or are very expensive. For example, human papillomavirus is transmitted through sexual contact, which should not be occurring at schools—and is over \$100 per dose. The only funding available to DHSS to provide immunizations for children is through the federally funded Vaccines For Children program. Because the amount available is insufficient to cover all under-insured children for all ACIP recommended vaccines, DHSS must determine how best to use limited resources. DHSS also does not require vaccines for school attendance that are only recommended for children younger than those entering school. For example, rotavirus vaccine is recommended by ACIP—but only for infants. Protection from rotavirus is no longer necessary by the time children are old enough to enter kindergarten. Once the current proposed rule is adopted, all ACIP-recommended immunizations applicable to children at the age of entry into kindergarten will be required by DHSS.*

- 2.8 *DHSS concurs with this recommendation. DHSS has collaborated with CDC to establish validation procedures and assistance in selecting a random sample of schools for validation assessments for the 2008-09 school year. BIAA is establishing policies and procedures to ensure validation assessments and supervisory review are adequately documented.*

2.9 *DHSS concurs with this recommendation. Funding has been secured to develop a web-based immunization registry. This web-based application will significantly improve the functionality and reliability of this database.*

2.10 *DHSS concurs with this recommendation. All future appointees to the Advisory Committee on Childhood Immunization (ACCI) will be required to complete an extensive application before being considered. A current resume will have to be submitted with the application. Checks will be completed to ensure all credentials claimed by applicants are current and correct. Letters sent to persons selected to serve on the ACCI will include the following information to ensure accuracy and compliance with state law:*

- *Full, legal name of the appointee;*
- *Address of the appointee;*
- *Term of the appointee; and*
- *Full name of the ACCI member being replaced.*

DHSS will maintain a comprehensive list of ACCI appointees including the beginning and end dates for each appointee's term on the ACCI and the particular slot to which each person is appointed.

Management of Immunization Information Needed

DHSS has not required schools to comply with regulations requiring a physician's or health care administrator's statement verifying the vaccine was administered. In addition, DHSS has not established regulations for the retention of immunization records, DHSS' immunization registry is not effective, DHSS has not performed analyses to identify populations at risk for vaccine preventable diseases, and DHSS has not reported immunization information to most stakeholders.

Immunization Records are Not Adequate

Immunization records to support a vaccine was administered to a student are inadequate because (1) DHSS allows schools to accept either a verbal confirmation from the physician or immunization records that do not have a physician's signature, and (2) DHSS has not established a regulation identifying the record retention requirement for schools' immunization records. Additionally, DHSS has created an immunization registry to maintain immunization information; however, this information is not complete or accurate.

Standard immunization record that is signed by the provider is not required

Although DHSS regulations require a statement from a physician or health care administrator stating the vaccine had been administered, DHSS allows schools to accept either a verbal confirmation from the physician or immunization records that do not contain the physician's statement. In addition, DHSS has distributed example forms that do not provide for a physician's signature. A CDC official said the CDC recommends an immunization record signed by the person administering the vaccine and a CDC recommended vaccine form includes the signature or initials of the vaccinator.

According to a 2004 CDC survey, 31 (54.4 percent) of the 57 states/entities reporting require a standard certificate or document be presented to the school/facility to document the vaccination status. According to a school year 2005-06 CDC survey, 31 (63 percent) of the 49 states/entities reporting require the provider's signature on the immunization record.

No record retention period for immunization records specified

State law¹⁸ and DHSS regulations do not specify the record retention period for the immunization records of school children. Of 45 schools contacted, 37 had immunization policies, but for 31 schools the policies did not specifically identify the record retention period for immunization records. The Secretary of State has established a record retention period for immunization records for public schools; however, the retention period for private schools is not documented. A Secretary of State staff said public schools are required to maintain immunization records and religious

¹⁸ Section 167.181, RSMo

exemptions permanently, medical exemptions until graduation or leaving the district, and immunizations in progress until the next dose is due. A DHSS official said DHSS' informal guidance is for schools to maintain student immunization records until the student is 21 years of age or three years after graduation, which does not agree to the Secretary of State's requirements.

Arkansas regulations require a copy of the immunization record be maintained in the student's permanent file. Oklahoma regulations require schools to maintain immunization records on each student. Iowa requires schools to maintain the immunization record for three years, commencing upon transfer or graduation from the school, unless the record is provided to the student upon graduation or requested by the parent. Kentucky requires an immunization record be maintained for a child enrolled in a public or private school and available for inspection by the Cabinet for Health Services.

DHSS' immunization registry is outdated and ineffective

DHSS allows schools to use the immunization records obtained from DHSS' immunization registry¹⁹ to support student immunization requirements; however, DHSS officials said the records contained in the registry are not complete or accurate. As of February 2008, only 55,270 (29 percent) of the 190,372 total children in the immunization registry with birthdays between June 2002 and June 2004 had complete immunization records, according to DHSS records. DHSS officials said the records in the immunization registry are not complete and accurate because (1) state law does not require the physician or other recognized health facility or personnel to update the registry when a vaccine is administered, (2) the current immunization registry is not accessible through a web application nor are records able to be electronically uploaded by users or shared with other systems, which makes it more time consuming for providers and schools to update or view immunization records and (3) duplicate or inaccurate records are entered into the immunization registry by providers.

Federal goals of the immunization registry include being able to maintain information relating to a particular individual in a single accurate immunization record.

¹⁹ Immunization registries are recommended by the CDC to increase and sustain high vaccination coverage by consolidating vaccination records of children from multiple providers, generating reminder and recall vaccination notices for each child, and providing official immunization records and vaccination coverage assessments.

According to CDC websites,²⁰ the immunization registry will help ensure a child is not over-immunized or under-immunized, ensure a child has received the required vaccines for school entry, and identify populations at high risk for vaccine preventable diseases. Without complete and accurate records in the registry, there is a greater risk children are being under or over-immunized and the ability to identify populations at high risk for vaccine preventable diseases are reduced. An improved registry with appropriate controls would potentially lessen the record keeping burden of the immunization records for school attendance.

A DHSS official said the current immunization registry had been created over 12 years ago and DHSS officials said this registry does not completely support the business needs of the department and/or meet all minimum federal recommendations. DHSS has taken steps to identify solutions or alternatives to meet the business needs. For example, DHSS hired a consultant to perform a system analysis and needs assessment. Based on the analysis completed as of May 2008, a DHSS official said the costs required to modify the current immunization registry is estimated to be approximately \$1.5 million over an 18 to 24 month period. DHSS official(s) said the CDC does provide some grant funding to support the immunization registry and certain departmental funds are available to dedicate to modifying the existing registry. Previously, the state legislature approved funds totaling \$500,000 towards a new immunization registry in fiscal years 2007 and 2008. A DHSS official said less than \$100,000 of the funds were utilized in fiscal year 2008 to pay the cost of the consultant and the state legislature approved the use of the remaining \$400,000 towards the registry in fiscal year 2009. However this official said available funding is not sufficient to completely develop and implement the modified registry.

Reviews to Identify Populations with Low Immunization Rates are Not Performed

DHSS has not established policies and procedures to identify populations with low immunization rates or significant immunization rate fluctuations for school children. A DHSS official said DHSS has not established any manual procedures to identify populations by school or county with low immunization rates or with significant fluctuations from one year to the next. A DHSS official said DHSS has not been instructed to perform these reviews nor does DHSS have the funding or resources to perform these reviews. Additionally, the immunization database does not generate

²⁰ "IIS: Frequently Asked Questions" *Centers for Disease Control and Prevention*, <<http://cdc.gov/vaccines/programs/iis/faq.htm>>, accessed January 22, 2008.

"Vaccine Records: Finding, Interpreting and Recording," *Centers for Disease Control and Prevention*, <<http://www.cdc.gov/vaccines/recs/immuniz-records.htm>>, accessed May 21, 2008.

comprehensive immunization reports by county or school to identify populations with low immunization rates or significant fluctuations. Implementation of a complete immunization registry could also assist DHSS in performing fluctuation reviews.

Retrospective analysis recommended federally

DHSS does not perform any retrospective analysis to determine the immunization history of school children when they were younger to assist in explaining the current immunization rates. CDC officials stated the retrospective analysis is recommended by the CDC to perform population assessments. A CDC official also said the retrospective analysis could help identify populations with under-immunized children or determine why outbreaks occurred. Kansas and Illinois perform retrospective analysis to evaluate the immunization coverage rates of kindergartners when they were two years old. The Advisory Committee on Childhood Immunization is responsible for developing plans for increasing the rate of childhood immunization in Missouri. The retrospective analysis would be a tool to assist the committee in its planning. A DHSS official said lack of funding has prevented DHSS from performing the analysis and another official said the analysis has not been a high priority since the analysis is time consuming and is primarily focused on past data.

Reports Not Provided to Stakeholders

DHSS currently provides immunization reports to county health officials. Other stakeholders, such as parents of school children, public officials, DESE, or schools are not provided information regarding immunization rates. Pursuant to state law, the Advisory Committee on Childhood Immunization is responsible for determining, in conjunction with DHSS, how the data collected on immunizations shall be analyzed and communicated to parents, health care providers, and public officials.

We identified other states that provide regular reports to stakeholders as follows:

- According to a 2004 CDC survey, 18 (43.9 percent) of the 41 states/entities responding reported immunization data to the state's Department of Education and 23 (56.1 percent) reported immunization data to individual schools.
- Arkansas regulations require the geographical patterns of exemptions and vaccination rates be reported to public officials every six months.
- Illinois has an online immunization status report available for the public to view to determine the immunization rates by the state, school, or vaccine and Iowa has an online status report by county.

A DHSS official said DHSS would consider making immunization reports available to the public; however, limited reports are currently available due to the immunization database lacking reporting capabilities.

Conclusions

DHSS allows schools to accept either a verbal confirmation from the physician or immunization records that do not have a physician's or health professional's signature. DHSS has not established a regulation specifying the record retention period for immunization records; however, the Secretary of State's Office has a record retention policy for public schools related to immunization records. State law does not require providers to record immunization records in the immunization registry nor does the registry contain complete and accurate records. DHSS has not established procedures to identify populations at high risk for vaccine preventable diseases. DHSS does not provide immunization reports to stakeholders, such as parents, DESE, schools, or public officials.

Recommendations

We recommend the Director of the Department of Health and Senior Services:

- 3.1 Establish by regulation a standard immunization record which requires the signature or initials of the physician or health professional who administered the vaccine.
- 3.2 Establish a record retention period for student immunization records to be maintained by schools and work with the Secretary of State's Office to revise their record retention schedule if necessary.
- 3.3 Improve the effectiveness and completeness of the immunization registry and pursue legislation to require health professionals to record immunizations in the registry.
- 3.4 Perform fluctuation and retrospective analyses to identify populations at risk for vaccine preventable diseases.
- 3.5 Periodically report immunization information to the general public.

Agency Comments

- 3.1 *DHSS does not concur with this recommendation. The federal standard of care does not require a signature on an immunization record by a physician or health professional that administered a vaccine. Also, no federal or state law, rule or regulation requires a physician's signature on a statement, certificate, or record of immunization. CDC requires each state to have an immunization registry. The Missouri immunization registry allows immunization*

data to be entered by physicians, local public health agencies, clinics, etc. This reduces the administrative burden on DHSS staff for record entry and, most important, makes the information available to schools more rapidly. DHSS relies on school nurses to verify the legitimacy of immunization documentation in the event that questions arise. DHSS is not aware of any evidence suggesting the department's reliance on school nurses is unfounded. If the State Auditor's Office is concerned that persons may be fraudulently entering initials on immunization cards, the department respectfully notes that anyone willing to take such action could also forge a signature. Thus, the involvement of school nurses would still be required for validation efforts. So while it does not appear that requiring a signature would result in beneficial effects, it could create a significant burden on schools, health professionals and parents in obtaining the necessary documentation for children to attend school.

SAO Comment:

The control weakness of allowing immunization records to be accepted without the signature of the physician or health professional who administered the vaccine results in less assurance students were properly immunized. Requiring the provider's signature will also assist school nurses when validating immunization records. A reliable immunization registry will require appropriate access and security measures be taken to ensure immunization information was obtained from the physician or health professional who administered the vaccine.

- 3.2 *DHSS concurs with this recommendation. DHSS will collaborate with DESE and the Secretary of State to establish school procedures for student immunization record retention. Workgroups have already been established to discuss these procedures.*
- 3.3 *DHSS concurs with this recommendation. Funding has been secured to initiate construction of a web-based immunization registry. The initiatives to be included in the DHSS legislative package for the upcoming session will be determined after consultation with the next administration.*
- 3.4 *DHSS concurs with this recommendation. The new immunization registry will include functionality to perform fluctuation and retrospective analyses to identify populations at risk for vaccine preventable diseases.*

3.5 *DHSS concurs with this recommendation. DHSS annually mails a packet of information to all Missouri public, private, and parochial schools that lists the prior year's reported immunization rates of school children. DHSS updates and maintains an immunization website that includes several links to immunization information. This website will be updated to include additional information and links to immunization rates listed on the CDC's National Immunization Survey website. Also, the reporting capabilities of the new, web-based immunization registry should significantly enhance DHSS' ability to provide immunization information.*



Susan Montee, CPA
Missouri State Auditor

STATEWIDE

Oversight of Procurement and Fuel Card Programs Follow-up



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auditor.mo.gov



Overall Purchasing Card Oversight Has Improved; However, Fraud Occurred at One Agency, and Further Improvement Is Needed

State employees use three types of cards for purchases including (1) procurement cards, (2) fleet fuel cards, and (3) business travel cards. All three purchasing card programs are under the oversight of the Office of Administration (OA) and administered by contracted service providers. Each participating state agency has designated program coordinators. This report followed up on recommendations in our 2002 report titled *Oversight of the State's Procurement Card Program (Report No. 2002-60)* and applicable recommendations in our 2003 report titled *State Vehicle Maintenance Facility and Fleet Fuel Card Program (Report No. 2003-107)*. Audit objectives included (1) analyzing agency procedures and controls related to procurement and fuel cards, (2) reviewing transactions for reasonableness, and (3) analyzing the procurement card vendor contract.

Improper fuel and procurement card transactions

In late February 2008, Missouri Veterans Commission (MVC) officials discovered an employee had been improperly using procurement and fuel cards for personal use since June 2006. Initially, MVC officials identified \$11,771 in questionable fuel and procurement card purchases. While conducting audit work shortly after the officials identified the problem, SAO audit staff identified additional questionable transactions. MVC officials also subsequently determined these transactions were improper. These transactions plus additional related transactions the officials identified totaled \$2,467. The employee who committed the fraud was terminated from employment and prosecuted, and provided restitution to the state for the identified fraudulent transactions. MVC officials have taken steps to improve internal controls over card usage since identification of the fraud. (See page 8)

OA has made improvements in card programs, but some issues need further evaluation

The OA's oversight of the procurement and fuel card programs and guidance to state agencies has improved since our prior reports. In May 2008, OA officials revised the state's procurement card policies and procedures manual, which provides guidance to state agencies, to address new topics. In addition, effective with the 2007 contract, Missouri's 1.44 percent rebate from the procurement card contractor is one of the highest identified in a state procurement card survey we reviewed. However, the following areas need additional consideration (1) inclusion of procurement and fuel card controls in agency internal control plans, (2) allocation of rebates, and (3) vendor discounts. (See page 15)

Agencies reviewed had control weaknesses, but had also developed improved procedures

Our review of procurement card procedures and transactions at 8 of the 28 participating agencies identified that agency staff did not always (1) comply with rules and guidance in the state procurement card policies and procedures manual or other common program controls, (2) review documentation related to automatic payments, and (3) perform annual card usage and transaction limit assessments. Some of these agencies had also developed improved procedures that could be better communicated to other agencies. Some agencies made policy decisions to increase card usage resulting in more rebates. (See page 20)

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Abbreviations		
CSR	Code of State Regulations	
GAO	Government Accountability Office	
MVC	Missouri Veterans Commission	
OA	Office of Administration	
RSMo	Missouri Revised Statutes	
SAO	State Auditor's Office	



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Larry Schepker, Commissioner
Office of Administration
and
Missouri Veterans Commission
Jefferson City, MO

The state established its procurement card program to provide a more efficient, cost effective method of purchasing and paying for some goods and services. Similarly, use of the fleet fuel card is designed to streamline and better automate the purchase of fuel. The Office of Administration (OA) oversees card administration. Because of the importance of safeguarding taxpayer monies, we followed up on recommendations in our 2002 report titled *Oversight of the State's Procurement Card Program (Report No. 2002-60)* and applicable recommendations in our 2003 report titled *State Vehicle Maintenance Facility and Fleet Fuel Card Program (Report No. 2003-107)*. Audit objectives included (1) analyzing agency procedures and controls related to procurement and fuel cards, (2) reviewing transactions for reasonableness, and (3) analyzing the procurement card vendor contract.

Fraud occurred at the Missouri Veterans Commission, and went undetected for at least 20 months due to the lack of effective controls. The employee who committed the fraud was terminated from employment and prosecuted, and provided restitution to the state for the identified fraudulent transactions. OA has made improvements in the procurement card program, but additional areas regarding internal control reporting, allocation of rebates, and vendor discounts still need to be addressed. In addition, agencies need to improve employee compliance with purchasing rules and guidance when using procurement cards. OA also needs to compile and distribute agency best practices.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer. Key contributors to this report included Jon Halwes, Anissa Falconer, Amy Ames and Ryan Redel.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

Various Types of Cards Used by State Employees for Purchases

State employees use three types of cards for purchases:

- Procurement cards
- Fleet fuel cards
- Business travel cards

All three card programs are under the oversight of the Office of Administration (OA) and administered by contracted service providers.

Procurement cards used for general purchasing needs

OA's Division of Accounting established the state's procurement card program in 1998 to set up a more efficient, cost effective method of purchasing and paying for goods and centralized travel services. The program was designed to reduce the number of purchase orders and checks issued and to enhance efficiency within state agencies. OA contracts with an outside vendor to administer the procurement card program.

Under a typical purchase order system, a state employee obtains supervisory approval, prepares a purchase order and takes the order to a local merchant to obtain the goods. The merchant bills the state for the purchase and the state pays the merchant during the next payment cycle. Under the procurement card program, employees take their card directly to a merchant (with or without prior supervisory approval) and procure the needed goods. The merchant electronically bills the card contractor for payment, and the contractor sends the state agencies a statement for each card monthly. Accordingly, the state is able to process fewer payments to the card contractor rather than processing hundreds of payments to individual merchants.

The OA has overall responsibility for administering the state's procurement card program and each participating state agency has designated program coordinators. The OA established standard program policies, procedures and purchase dollar limits based on general statutory guidelines for state procurement outlined under Chapter 34, RSMo.

The state purchasing card is a preferred method of payment for purchases up to \$1,000 per transaction and \$3,000 per month. Higher limits are available with prior approval through the OA and procurement card contractor. The procurement card is flexible to allow agencies to tailor the program to meet their specific needs.

There are four types of procurement card accounts available:

- Standard account - allows the purchase of commodities and services, but is not intended for travel expenditures

-
- Central travel account - account set up for an employee to purchase travel related services for other employees - the services can include conference registrations, lodging, airfare, car rentals, and parking fees
 - Dualized account - allows one account to pay for both commodity/service purchases and central travel purchases
 - Multipurpose account - allows for purchase of commodities as well as business travel related expenditures for the cardholder - with the exception of meals

The card contractor has several on-line reporting tools available to allow for close monitoring and analysis of agency transactions as well as a process that allows state agencies to upload transaction data with accounting code defaults into the state's accounting system.

Prior to March 2007, the card contractor paid the state a 0.1 percent to 0.56 percent rebate, depending on annual purchase volume. A new contract effective March 2007 increased the rebate to 1.44 percent on all purchases. Rebate amounts are deposited into funds specified by the purchasing agency, or into the state's General Revenue Fund. During fiscal year 2008, the state received about \$533,000 in rebates.

Procurement card usage has increased significantly since the prior audit. During the prior audit period, 11 agencies participated in the procurement card program with 2,684 issued cards, but as of February 2008, 28 agencies¹ participated with 4,331 issued cards. Average statewide usage per month also increased from about \$872,000 to \$2 million. See Appendix I for additional information on current usage.

Fuel cards used for fleet and rental fuel purchases

OA's Division of General Services administers the fleet fuel card contract. Fuel cards are issued to an agency and then assigned to a specific vehicle or driver or used for rental vehicles. The fuel cards can be used to pay for fuel for state and rental vehicles, emergency vehicle repairs when away from Jefferson City, limited vehicle maintenance costs, and car washes.

As of March 2008, there were a total of 16,870 fuel cards in use. The fuel card processor has set up a network of 4,230 service stations in the state that accept the cards. The processor removes federal excise taxes from the state's billings. The state receives rebates based on volume, average purchase

¹ Some state departments have delegated procurement responsibilities to divisions or units. Agency refers to state departments, divisions within state departments or other state entities.

amount, and length of time from invoicing to payment. During fiscal year 2008, the state received about \$120,000 in rebates. See Appendix I for additional information on current usage.

Employee business travel cards result in no liability to the state

OA's Division of Accounting administers the contract for the business travel card program. Business travel cards are issued to state employees as a personal credit card to use for paying travel expenses. These cards are issued by a card contractor, and the state has no liability for purchases made on them. Business travel card balances are to be paid off by the individual every month. If an employee leaves state employment, his/her business travel card should be cancelled. Missouri receives a 1.44 percent rebate on all business travel card purchases. All rebates for business travel cards are deposited into the state's General Revenue Fund. During fiscal year 2008, the state received about \$69,000 in rebates. As of February 2008, there were 2,480 business travel cardholders.

Previous SAO Procurement Card Work

The State Auditor's Office (SAO) published a report in 2002 addressing issues related to the state's procurement card program.² We reported many procurement cardholders never used their cards, and spending limits were not based on needs analysis. OA now requires agencies to conduct an annual assessment of card usage, and to cancel cards or adjust limits as necessary. However, as discussed on page 21, some agencies have not complied with this requirement.

We also reported attractive or easily pilfered property items purchased with procurement cards were not adequately identified and tracked as required by state regulations.³ During our current audit work, we found no significant problems in this area.

Finally, we reported state employees did not give preference to Missouri businesses, as required by law.⁴ During our current audit work, we found no significant problems in this area.

² SAO, *Oversight of the State's Procurement Card Program*, August 29, 2002 (Report No. 2002-60).

³ 15 CSR 40-2.031 requires departments to implement appropriate procedures for adequate controls and perform annual inventories for items considered "attractive or easily pilfered" such as televisions and power tools.

⁴ Sections 34.070 and 34.100, RSMo.

Previous SAO Fuel Card Work

The SAO published a report in 2003 addressing issues related to the state's fuel card program.⁵ We reported the state was not receiving rebates on fuel card usage and recommended the contract be re-bid. State officials re-bid the contract in 2005, and the contractor now provides rebates.

We also reported card purchases were not always cost effective, with some purchases being made at full service pumps and for premium-grade fuel. We recommended OA establish uniform instructions for the use of fuel cards by state agencies. OA implemented this recommendation in November 2006. These instructions state full-service and mid-grade fuel can be purchased if priced the same as self-service, regular-grade fuels and full-service or premium grades of gasoline are not to be purchased unless required by the vehicle manufacturer.

Finally, we reported state personnel had complaints about the fuel cards, and we recommended these issues be addressed. Some specific complaints involved the availability of network stations and the inability to recover exempted federal excise taxes paid. We found the number of stations in the network has increased and the contractor now bills the state net of federal excise tax.

Scope and Methodology

To analyze agency procedures and controls related to procurement cards, we conducted work at the Departments of Conservation, Corrections, Economic Development, Elementary and Secondary Education, and Transportation; the Missouri State Highway Patrol; the Missouri Veterans Commission; the OA; and the Office of State Courts Administrator. We also conducted work at the veterans home in Mount Vernon. We selected agencies for review that had high dollar amounts of card usage, were new to the procurement card program since our 2002 audit, or were reviewed during the prior audit. We interviewed knowledgeable officials and reviewed program documentation and/or data needed to accomplish objectives. We also performed limited work at the Department of Natural Resources.

To evaluate other state procurement card programs, we reviewed the survey results of a study conducted by the National Association of State Auditors, Comptrollers and Treasurers. We also spoke with procurement staff in the states of Arizona, Iowa, and Oklahoma regarding aspects of their procurement card programs.

⁵ SAO, *State Vehicle Maintenance Facility and Fleet Fuel Card Program*, October 22, 2003 (Report No. 2003-107).

To analyze transactions for reasonableness, we obtained procurement card transactions from January 1, 2006 to February 12, 2008, from the procurement card contractor. We selected approximately 600 transactions for review after sorting the data by state agency. We ensured completeness of the data by analyzing the date sequence of the data provided to us and by matching selected data to agency monthly statements.

To analyze the contract with the procurement card contractor, we reviewed the current procurement card contract, as well as prior contracts and bidding documentation. We reviewed suggested industry practices to ensure they were included in the contract. We reviewed the contractor's website and interviewed knowledgeable officials to evaluate contract compliance.

To analyze agency procedures and controls related to fuel cards, we conducted work at the Departments of Conservation, Social Services, and Transportation and the Missouri Veterans Commission. We interviewed knowledgeable officials and reviewed program documentation and/or data needed to accomplish objectives.

To analyze transactions for reasonableness, we obtained⁶ fuel card transactions for calendar year 2007, from the fuel card contractor. We ensured completeness of the data by analyzing the date sequence of the data provided to us and by matching selected data to agency monthly statements.

⁶ Obtained through the OA.

Fraudulent Card Usage at One Agency

A Missouri Veterans Commission (MVC) employee made improper procurement and fuel card purchases, and this activity remained undetected for at least 20 months. The agency's internal control process did not use many of the procedures outlined in guidance provided by the OA.

Improper Fuel and Procurement Card Transactions

In late February 2008, MVC officials discovered an employee had been improperly using procurement and fuel cards for personal use since June 2006. Initially, MVC officials identified \$11,771 in questionable fuel and procurement card purchases. While conducting audit work shortly after the officials identified the problem, SAO audit staff identified additional questionable transactions. MVC officials also subsequently determined these transactions were improper. These transactions plus additional related transactions the officials identified totaled \$2,467.

MVC officials alerted law enforcement and terminated the employee. The former employee was prosecuted and provided restitution of \$17,665⁷ to the state for all identified fraudulent transactions.

Poor Controls Allowed the Fraud to Occur and Remain Undetected

The fraud occurred and was not identified in a timely manner because of (1) a lack of segregation of duties regarding fuel cards; (2) employees sharing procurement cards and not always preparing or reconciling their own log of purchases, and supervisors not performing detailed reviews; and (3) a weakness in accounting system security settings coupled with officials not regularly reviewing available procurement card reports. An MVC official said staffing and budget limitations in the agency's accounting section had impacted review procedures.

Lack of segregation of duties factor in fuel card fraud

Beginning in June 2006, the employee charged \$4,608 to fuel cards for fuel used for personal purposes. This situation occurred and was not identified for 20 months due to a lack of segregation of duties. The employee had access to the fuel cards and was also responsible for reconciling fuel receipts to the monthly billing statements. Records show the employee inaccurately reported this fuel card usage on the report she prepared for her supervisor. During 2007, fraudulent fuel purchases accounted for more than 20 percent of all central office⁸ fuel purchases for the agency.

Prior to January 2008, the employee used only one fuel card for fraudulent purposes. In January 2008, this employee requested and received from the fuel card contractor four additional fuel cards. According to agency

⁷ Included in the \$17,665 is \$3,427 in expense report fraud identified by agency officials, unrelated to procurement or fuel card fraud.

⁸ Unit in which the employee worked.

officials, no one else at MVC was aware these cards had been requested. The employee began to use three of these four cards in February 2008, shortly before the detection of the fraud. MVC records show all the employee's cards were cancelled in March 2008.

Following discovery of the fraud, an MVC official said the agency began to limit access to fuel cards and to use a log to track employee fuel card use. However, at the time of our work, the employee reconciling the fuel card statement details to supporting documentation also had access to the fuel cards.

Employee used co-worker's procurement card

The employee charged \$2,889 in personal expenditures to a co-worker's procurement card beginning in September 2006. This situation occurred and was not identified for 17 months because (1) card sharing was an accepted practice, (2) the cardholder was not preparing or reconciling his own log, and (3) the cardholder's supervisor did not conduct a thorough review of the cardholder's procurement card transactions.

Records show the employee used a co-worker's card to make purchases with a valid business purpose, and therefore, had access to the card number for making personal purchases. Although OA guidance prohibits the sharing of procurement cards, an MVC official said the agency allowed card sharing to limit the number of employees with cards.

MVC records show the employee prepared the card log for her co-worker, and the co-worker only signed the log. The co-worker said he did not realize that documentation was missing for some business related and personal purchases, because he did not agree all billed transactions to supporting documentation.

The cardholder's supervisor did not perform a thorough review of the cardholder's log. Our review of the logs identified purchases without supporting documentation. In addition, documentation showed purchases shipped to the employee's spouse, postage stamps shipped to the employee's home address, and payment of private business telephone bills of the employee's spouse.

The employee's supervisor told us she identified a personal charge for shipping made by the employee using the co-worker's card in April 2007. Records show the employee reimbursed the state for the charge. The supervisor said she reminded the employee that the procurement card should never be used for personal purchases; however, no changes to internal control procedures were implemented.

Following the detection of the fraudulent card usage in 2008, MVC officials said they eliminated the sharing of procurement cards, improved log preparation and review, and began conducting more thorough reviews of billings.

Employee approved her own transactions

The employee charged \$6,741 in personal expenditures to a procurement card issued in her name beginning in June 2007. This situation was not detected timely because the employee bypassed her supervisor's approval of transactions by approving her own documents in the state's accounting system, and her supervisor did not routinely review transaction reports available from the contractor.

The state's accounting system has security settings to prevent employees from approving documents they enter into the system. However, security settings for this employee were not set up correctly, at least partially because of limitations in the system at that time. An OA official said until the discovery of the fraudulent card usage, OA staff did not know some employees were able to enter and approve payment of procurement card transactions in the state's accounting system. The OA official said OA staff have identified a solution to the system weakness and are working with applicable state agencies to ensure security settings for all employees with access to the state's accounting system are appropriate.

An MVC official said following a procurement card training meeting in late February 2008, she decided to review transaction reports available from the card contractor. She said review of these reports allowed her to identify the fraudulent card usage; however, she has not been routinely reviewing these reports as part of overall program monitoring.

Conclusions

MVC officials have taken steps to segregate fuel card program duties; however, the employee who reconciles the fuel card statement details to supporting documentation continues to have access to the fuel cards.

The officials have taken steps to improve controls related to the procurement card program. They have prohibited card sharing, improved log preparation and review, and required detailed supervisory reviews. However, officials should ensure employees are aware of and comply with these policies.

The officials have not been reviewing procurement card transaction reports available from the contractor on a regular basis. Review of these reports provides another tool for program monitoring.

A procurement card program has more risk than a typical purchase order system; however, with appropriate control and monitoring procedures the most significant risks can be mitigated. The changes made by MVC management and the other recommended improvements should allow for increased prevention and timely identification of any future problems.

Recommendations

We recommend the Missouri Veterans Commission:

- 2.1 Ensure fuel card duties are segregated. Eliminate access to fuel cards for the employee responsible for reconciling the fuel card statements or establish an appropriate compensating control for any segregation weaknesses.
- 2.2 Continue to monitor and evaluate the procurement card program, and make changes as necessary, to ensure controls are in place and employees comply with established procedures.
- 2.3 Utilize procurement card contractor reports in program monitoring and review these reports on a regular basis.

Agency Comments

The Missouri Veterans Commission provided the following comments related to the recommendations.

MVC has implemented additional controls.

MVC has assigned custody of the fuel cards to an employee who does not have access to the fuel card bill.

MVC will continue to monitor and evaluate the procurement card program and make changes as necessary to ensure controls are in place and employees comply with established procedures. Training will continue to be encouraged.

MVC is in the process of performing regular reviews of cardholder activity by working with the contractor to customize reports. Regular transaction reports will be sent electronically to the cardholders and customized employee transaction reports will be sent to cardholders' supervisors. New and current cardholders receive ongoing training as well as a copy of the state purchasing card manual.

The Missouri Veterans Commission provided additional comments unrelated to the recommendations.

MVC officials discovered fraud and immediately reported it to the State Auditors Office and Office of Administration and the former employee has made full restitution.

MVC officials internally detected 87 percent of the total identified fraud prior to the audit and provided the documentation to the auditors. The auditors discovered \$2,427 of the total identified fraud. Seventy percent of the fraudulent transactions identified during audit fieldwork were the same types of transactions already identified by MVC officials prior to the audit. All of the misappropriated funds have been restored to the state by the former employee. Upon detecting fraud, MVC officials immediately began a detailed investigation, confronted the former employee, referred the case to local law enforcement and the Prosecuting Attorney's Office, and notified appropriate state officials, including the Governor's Office, the State Auditor's Office and Office of Administration (OA). The MVC worked with OA to notify the fidelity bond carrier of a potential claim. The case was settled by the Prosecuting Attorney's Office after the former employee pled guilty and paid restitution to the state.

MVC detected most of the fraud within eight months of occurrence.

Over half of the total identified fraud was detected by MVC officials within the same fiscal year that the transactions were fraudulently entered in the state financial system by the former employee. This was within 8 months of over half of the fraud occurring. Additional loss was prevented, and the fraud was detected timely by MVC officials, considering that it was only 1/100 of a percentage of the total MVC budget. Well over half of the fraud was done by the former employee through bypassing the established review and approval process. The fraudulent transactions were individually small, which made them difficult to detect.

Fraudulent activity on the new fuel cards requested by the former employee was detected with the first bill that was received by MVC.

The fraudulent activity on the three additional fuel cards requested in January 2008 by the former employee was identified by the supervisor with the first bill that was received by MVC. The former employee was responsible for reconciling the fuel tickets to the monthly bills and preparing a summary sheet for coding into the financial system. The supervisor relied on the reconciliations prepared by the former employee

and reviewed the summary sheets prepared by her before approving the bills in the financial system.

The former employee had access to the card numbers because that was an essential function of her job as the accountant for MVC.

The former employee who made fraudulent charges on the co-worker's card had access to the card number because she was an accountant, and her duties included entering bills for payment into the financial system. The supervisor reviewed the log and charges every month on the purchasing card. The supervisor spot-checked the supporting invoices against the log and card statement but relied on the former employee and cardholder to perform a detailed review. A large volume of bills were bundled into this card statement every month to reduce the number of checks written by the state and number of documents entered into the financial system. The former employee's personal shipping charge mentioned in the audit finding that was discovered in April 2007 was for \$10, and at that time there was no basis for suspicion or indication that fraud had occurred. The former employee stated it was a mistake and promptly paid that portion of the bill. The former employee was reminded by her supervisor that the card should never be used for personal purchases.

Fraud was detected by MVC officials from the cardholder activity on the contractor website.

The fraud on the card in the former employee's name was detected through the supervisor's review of cardholder activity from the contractor website. Fraudulent purchasing card transactions were paid by the former employee through automated documents in the financial system, which allow any user with final approval authority in the system to run them for payment. These documents do not distinguish between who entered the document and who approved it. This is because the document is created through an automated interface with the purchasing card contractor. The former employee bypassed the supervisor and approved these documents in the financial system on her own. MVC no longer allows employees with final approval authority in the financial system to be cardholders.

The person who committed the fraud was a former employee of the State Auditor's Office.

The MVC relied on this former employee because she was hired directly from her employment with the State Auditor's Office (SAO) as a Senior Auditor with over six years of auditing experience. She was hired by MVC only after obtaining positive references from the State Auditor's Office.

Prior to her employment at the MVC, she audited the MVC as an employee of the SAO. Because of her employment background and her prior responsible position with the SAO, MVC hired her to perform and oversee accounting functions to fill an accountant vacancy. As an employee of MVC, she was a member of the Institute of Internal Auditors and attended numerous training courses related to accounting and auditing, including subjects pertaining to fraud.

Elaborate checks and balances are not feasible given that MVC had funding for only two employees for accounting and budgeting.

The MVC central office accounting and budgeting staff consists of two employees. The former employee was one of these employees, and her supervisor is the other member of the team. This staffing level has not changed since at least fiscal year 1994. In fiscal year 1994 the MVC budget was only \$16.5 million. The fiscal year 2009 budget is over \$76 million, which is 4.6 times the size of the fiscal year 1994 budget. Over these 15 years, the number of Veterans homes has increased from five to seven plus the number of beds in existing Veterans homes has increased by 200, four Veterans cemeteries have opened (with a fifth cemetery on the way), the Veterans Service Officer Grant Program was established, the number of Veterans Service Officers has increased, and the State Veterans Ombudsman Program was created. Also during this time period, final approval authority on payment documents was delegated to the MVC by the Office of Administration with no increase in accounting staff. All of the program expansions have increased the workload of the financial staff and requires the need for more oversight. The MVC officials have recognized this need for years and have submitted budget requests to increase the accounting staff, but until fiscal year 2009 the requested increases have not been funded. In fiscal year 2009 a partial full-time equivalent position was funded for an accountant. The MVC will use this employee to help with the increase in workload and improve internal controls.

See additional comments provided by the Missouri Veterans Commission at the end of Chapter 4, page 24.

OA Has Made Improvements in Card Programs, but Other Improvements Are Needed

OA has made improvements in the procurement card program, but additional areas, such as internal control reporting, allocation of rebates, and vendor discounts, still need to be addressed. Also, OA officials were unaware employees at some agencies received pre-activated cards.

OA Needs to Address Additional Issues

The OA's oversight of the procurement and fuel card programs and guidance to state agencies has improved. In May 2008, OA officials revised the state procurement card policies and procedures manual to address new topics including not allowing transaction splitting, use of online payment services, payment of convenience fees, and improved controls over (1) accounts with no apparent activity, and (2) payment approval in the state's accounting system. In addition, effective with the 2007 contract, Missouri's 1.44 percent rebate from the procurement card contractor is one of the highest identified in a state procurement card survey we reviewed.⁹

However, the following areas need additional consideration:

- Inclusion of procurement and fuel card controls in agency internal control plans
- Allocation of rebates
- Vendor discounts

Internal control plans did not always address cards

Agency internal control plans did not always address procurement and fuel card controls. State agencies annually file or update internal control plans with the OA. These plans are required as part of Cooperative Agreements the agencies have with the OA regarding approval of certain payment transactions.

In 2007, only 5 of 28 applicable agency internal control plans included controls addressing procurement cards, 18 agencies did not include this information, and 5 agencies did not submit updated plans in 2007. OA officials said agencies implementing procurement card programs must establish procedure manuals approved by OA which include program internal controls. OA personnel told us during review of the 2007 internal control plans, they also began recommending agencies include controls specifically related to procurement cards in the plans. We also reviewed 13 of 18 internal control plans for 2008 that agencies had submitted as of June

⁹ Study performed by the National Association of State Auditors, Comptrollers and Treasurers, issued July 2007, <<http://www.nasact.org/memonly/downloads/statecard07/ToC.cfm>>, accessed July 23, 2008.

2008. Of the 13¹⁰ plans reviewed, 7 included controls related to procurement cards.

OA has not recommended agencies include a section on fuel card controls. OA personnel said OA had not considered fuel card internal controls until staff started evaluating procurement card controls. OA officials said they may recommend documenting all purchasing card controls after reviewing the 2008 plans.

Policy on rebates
needed

OA personnel have not established a statewide written policy regarding allocation of card rebates to federal funding sources. The state's contracts with card contractors require specific rebates on purchases made using the state's procurement and fuel cards. For fiscal year 2008, the state received rebates of about \$533,000 and \$120,000 for the procurement and fuel card programs, respectively. State agency officials inform OA which fund or funds should receive the agency's portion of rebates. Some rebates result from purchases charged to federal programs.

Federal rules¹¹ state that costs paid with federal funds must be net of all applicable credits to be allowable under federal awards. The guidance describes applicable credits as those receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to federal awards. Such transactions include purchase discounts and rebates.

OA personnel said they have discussed this issue with other states and the procurement card contractor, but as of July 2008 have not implemented a statewide policy for agencies to consider regarding rebate allocation. OA personnel said at least two agencies have established their own solutions. One agency conducted an expenditure analysis and found approximately 50 percent of procurement card purchases were from federal funding and requested rebates be allocated accordingly. At another agency, officials do not allow procurement card purchases from federal funds.

No vendor discounts

Missouri's procurement card program does not include discounts when cards are used at participating vendors. In 2004, the GAO¹² reported on federal government agency efforts to obtain discounts on procurement card

¹⁰ Plans are submitted throughout the year and 10 agencies with procurement cards had not submitted 2008 plans for all divisions at the time of our review. Three of these 10 agencies included procurement card controls in their 2007 plans.

¹¹ Federal Office of Management and Budget Circular A-87, Attachment A, Sections C.1.i and 4.a.

¹² GAO, *Agencies Can Achieve Significant Savings on Purchase Card Buys*, GAO-04-430, March 2004.

transactions. A 2007 research study¹³ on state procurement card programs indicated negotiation of volume discounts with vendors was one method states used to promote best value purchases with procurement cards.

State purchasing staff in Arizona told us with each contract bid the state asks for vendor acceptance of procurement cards as a method of payment and seeks discounts from the vendor if payment is made by procurement card. State purchasing staff in Iowa told us for the statewide office supplies contract the vendor provides a rebate quarterly based on timing of payments. Payments made by procurement card and electronic funds transfer help increase the potential rebate.

OA officials said they are trying to get more detailed transaction information regarding vendor transactions from the card contractor to evaluate which vendors might be willing to provide discounts. The officials also said as statewide contracts are established or renewed, terms are being changed or set up requiring vendors to accept procurement cards as a method of payment.

Agencies Received Pre-activated Cards

OA officials believed all procurement cards required activation¹⁴ by the cardholder after receipt; however, we determined employees from 8 of the 28 agencies using procurement cards received pre-activated cards. A pre-activated card can immediately be used by anyone receiving it, increasing the risk of misuse if the intended card recipient never receives the card. After we discussed this issue with OA officials in March 2008, the officials said they contacted the card contractor to correct this problem. A card contractor official told us pre-activated cards will no longer be sent to any state agencies.

Conclusions

Expanded state agency use of procurement and fuel cards increases the importance of state agency internal control systems. Inclusion of internal control procedures over these cards in the internal control plans will provide the OA a more comprehensive picture of an agency's payment controls.

A statewide written policy regarding allocation of card rebates to federal funding sources would help ensure agencies appropriately consider rebates in federal program reporting.

¹³ AGA Corporate Partner Advisory Group Research, *The State Purchase Card: Uses, Policies and Best Practices*, AGA CPAG Research Series: Report No. 7, February 2007.

¹⁴ To activate a card, the cardholder would have to contact the card contractor to verify receipt of the card and identification information.

As procurement card programs grow, the potential for organizations to obtain vendor discounts increases.

Pre-activated cards increase the risk for potential card misuse. After we brought it to their attention, OA officials addressed the issue of some agencies receiving pre-activated cards. Monitoring this issue with the card coordinators at state agencies will help ensure it does not occur again.

Recommendations

We recommend the Commissioner of the Office of Administration:

- 3.1 Work with applicable state agencies to ensure procurement and fuel card controls are documented in internal control plans.
- 3.2 Establish a written statewide policy for state agencies to follow regarding allocation of rebates to applicable federal funding sources.
- 3.3 Evaluate opportunities for vendor discounts as state agencies increase procurement card usage.
- 3.4 Periodically verify with state agency procurement card coordinators that they are not receiving pre-activated cards.

Agency Comments

3.1 *We agree.*

OA revised the State Purchasing Card Policy & Procedure Manual in May 2008. This revision provided guidance to agencies regarding stronger internal controls. As a result of the revised manual, many agencies updated their own policies and procedures and submitted their revised manuals to Office of Administration, Division of Accounting for approval. The internal control plans submitted by agencies were not required to include a section on purchasing cards. This would be redundant as the information is already provided in the agency's purchasing card manuals.

We will recommend modified language in the agency control plans as needed to clarify this issue.

3.2 *We agree.*

OA is developing a rebate policy that will include guidance on this issue.

3.3 *We do not agree with the recommendation as stated because we do not believe there are significant opportunities for vendor discounts and any that may exist would be difficult to administer. We checked with State Purchasing Card officials in Virginia and Tennessee and they told us they have not experienced any vendors willing to give discounts for using the Purchasing Card.*

What we do and will continue to do is to identify opportunities to achieve better value for the State through the procurement process, for example, through bids and contracts.

3.4 *We do not agree with this recommendation. This was a one-time occurrence that was the responsibility of the card issuer. However, we have notified agencies about this issue and have encouraged them to report any future occurrences to us just as they should any unusual occurrences in card issuance and usage.*

We provided state agencies reviewed as part of this audit an opportunity to comment about the reported findings and results in Chapters 3 and 4. Two agencies (Missouri Veterans Commission and the Missouri State Highway Patrol) provided comments. See the end of Chapter 4 for the comments.

Agency Card Program Controls

State agency personnel did not always follow rules and guidance in OA's state procurement card policy and procedures manual. Agency best practices could be better communicated to other agencies.

Agency Control Weaknesses

Our review of procurement card procedures and transactions at eight agencies identified agency staff did not always (1) comply with rules and guidance in the state procurement card policy and procedures manual or other common program controls, (2) review documentation related to automatic payments, and (3) perform annual card assessments.

Purchasing rules not always followed

At all eight agencies reviewed, we identified noncompliance with purchasing rules or weaknesses in purchasing procedures. In general, agencies reviewed had established adequate procedures; however, compliance with those procedures did not always occur. The weaknesses primarily occurred on a limited number of transactions reviewed except for the MVC as discussed in Chapter 2. In some cases an agency's internal procedures had identified the problem with agency officials taking corrective action and/or providing training to applicable employees. Agency officials said the errors were generally an oversight, but sometimes staff was not aware of the requirement or control procedure.

Table 4.1 lists some of the weaknesses identified and the number of agencies impacted.

Table 4.1: Agency Compliance Issues

Problem	Number of Agencies Identified
Supervisory approval not documented	8
Sales tax paid and not removed	6
Split transactions	5
Shared cards	4
No receipt supporting the purchase	4
Necessary waivers ¹ not obtained	4
Cardholder did not sign log	4

¹ For items available for Missouri Vocational Enterprise, State Printing, etc.

Source: SAO analysis of agency provided documentation.

Automatically charged bills not always monitored effectively

Our review of transactions identified two instances where agencies incurred unnecessary costs at least in part due to billings being automatically charged to a procurement card.

In one instance, an agency continued to pay \$150 per month for information services after the contract expired in October 2007. An agency official told us following our questions about the business purpose of this service that staff determined this contract had expired and monthly payments had

continued. The official said the agency requested a \$1,200 refund (November 2007 to June 2008 billings) from the service provider, and the monthly billing ended. The official said the employee responsible for the card the service was charged to had been aware of the service cancellation, but had not reviewed his card billings effectively.

In another instance, an agency paid sales tax on telephone bills set up to be automatically charged to a procurement card. An agency official said the accounts had not been set up properly, personnel had not been aware of the tax issue, and review of the bills had not been sufficient. The official said the agency obtained a refund of more than \$200 for amounts paid in error. As of July 2008, the official had contacted another utility provider to evaluate other possible refunds.

Annual assessments not always completed

Agencies did not always perform an annual assessment of card usage and transaction limits. The state procurement card policy and procedures manual says such an assessment should be done at each agency. Three of the eight agencies reviewed had not completed annual assessments in the past year. An official at one agency said staff began the 2007 assessment, but failed to complete it. The agency had completed assessments in prior years. Officials at another agency said they perform informal procedures to review these issues, but do not perform a formal assessment. An official at the third agency said staff focused on expanded use of the procurement cards in 2007 and did not perform an assessment. OA officials said beginning in 2008, agency coordinators must report assessment results to OA by an established deadline.

Noteworthy Procedures at Some Agencies

The state holds an annual conference and quarterly roundtable meetings for state agency personnel to discuss procurement card issues. Best practices are discussed at these conferences; however, OA staff has not prepared a comprehensive list of identified practices for agencies to consider. Our review identified the following best practices being used by state agencies:

- The Department of Natural Resources has created a report to assist staff in identifying purchases made through the state's accounting system that could have been made with a procurement card. Agency officials said report results are used to educate employees and encourage them to make purchases with the procurement card, if possible.
- In addition to providing training for new cardholders, the Department of Transportation conducted a separate training session for division card coordinators in 2008. According to MoDOT officials, this

training was beneficial because cardholders will go to these individuals when they have questions about their procurement cards.

- The Department of Natural Resources requires cardholders to go through training every 2 years before renewing their procurement cards.
- Department of Transportation officials said they determined the central travel desk card numbers, used to make hotel reservations for many employees, had a higher risk of being stolen and inappropriately used than other cards, so they began a process of replacing this card each quarter.
- The Department of Corrections procurement staff monitors all cardholder statements, and records problem transactions on a log. Department officials said the log is then used to identify weak areas and to educate employees as needed.
- The Department of Economic Development and the Office of State Courts Administrator have been using reports prepared from the card contractor's website to aid staff in reviewing purchases.
- The Department of Transportation tracks timeliness of payments for all invoices, and places great importance on having all payments, including procurement card payments, made within 30 days of invoice date.

OA officials said some best practices are not applicable statewide, since each agency has its own processes. However, OA officials are aware some agencies have taken initiative to implement best practices, and intend to share these practices at future roundtable and forum meetings.

Agency procedures have resulted in increased rebates

State agency employees have increased card usage in the last several years resulting in the state receiving more rebates. Examples of recent card usage changes at some agencies include:

- Effective August 2007, the Department of Conservation requires all purchases of \$1,500 or less to be made with the procurement card, unless the purchase is not allowed with the card or the vendor does not accept the card. Rebates increased from \$8,600 in the second quarter of 2007, to \$33,700 in the second quarter of 2008.
- In late 2006, the Missouri Veterans Commission began charging pharmaceutical purchases from the Department of Veterans Affairs

and other businesses to procurement cards. Rebates received have increased from \$1,850 in fiscal year 2006 to \$153,007 in fiscal year 2008.

- A Department of Corrections procurement official at one department facility said he uses the procurement card for all eligible purchases. This official said using the card speeds up receipt of shipments. During calendar year 2007, the employee charged \$90,000 in facility expenditures to procurement cards generating about \$1,300 in rebates. Department of Correction personnel said the employee made a presentation at a July 2008 staff conference on his card usage procedures.

Conclusions

Improvement in agency compliance with OA program guidance is needed to better identify errors and inappropriate transactions occurring in the procurement process. With the expanded card usage at many agencies, effective agency review and monitoring of card transactions is even more important.

Some state agencies have implemented procedures to improve their procurement card programs. Providing all agencies detailed information on these practices will better allow agency officials to identify and implement useful controls.

Recommendations

We recommend the Commissioner of the Office of Administration:

4.1 Work with state agencies to improve compliance with program guidance.

4.2 Collect and distribute identified agency best practices to state agencies.

Agency Comments

4.1 *We agree.*

The Office of Administration, Division of Accounting, collaborates with Agency Purchasing Card Coordinators in an ongoing manner through use of the quarterly roundtable meetings and annual purchasing card forum. In addition, the State Purchasing Card Coordinator and Administrator provide guidance to agencies and assist with questions or concerns.

The Office of Administration, Division of Accounting, also conducts expenditure reviews on a quarterly basis, evaluating purchasing card documentation and compliance in the program. When noncompliance

issues are identified, agencies are given recommendations and guidance to improve the purchasing card program.

4.2 We agree.

The Office of Administration, Division of Accounting, maintains a purchasing card website with all relevant information to the program. As part of the division's commitment to optimizing the program, when best practices are identified which would benefit state agencies, the information will be posted to the website or communicated through purchasing card email distribution lists.

We provided state agencies reviewed as part of this audit an opportunity to comment about the reported findings and results in Chapters 3 and 4. Two agencies (Missouri Veterans Commission and the Missouri State Highway Patrol) provided comments.

Missouri Veterans Commission comments

MVC took the initiative to expand the use of state purchasing cards to save the number of checks written by the state. Training for cardholders is offered, and attendance is encouraged.

MVC officials took the initiative to expand the use of the state purchasing cards in November 2006 with a purchasing card forum for potential MVC cardholders. Training was provided by the Office of Administration and the purchasing card contractor. After the forum, MVC's participation in the purchasing card program grew quickly. MVC immediately reduced the number of paper checks written by the state and increased rebate revenues to the state. In an effort to manage the purchasing card program growth, MVC initially limited the number of cardholders, while still increasing the volume of purchases on the cards. But after some experience with the increased use of the purchasing cards, MVC officials determined it was more effective to increase the number of cardholders to provide a link to the employees initiating the transactions. Since MVC was in a growth mode, limits were monitored and increased with supporting justification from the cardholders. Changes in credit limits have only been authorized with the approval of the Office of Administration and the purchasing card contractor. All MVC cardholders are notified of periodic OA purchasing card forums and are encouraged to attend.

MVC used existing resources to increase state revenues from purchasing card rebates by over \$150,000 annually.

The MVC fiscal year 2008 rebates were 29 percent of the total statewide rebates, and MVC's budget is only 0.3 percent of the total statewide budget. MVC accomplished this growth in revenues to the state with existing staff and resources. In fiscal year 2006 MVC purchasing card rebates were only \$1,850, in fiscal year 2007 rebates increased to \$25,253 and in fiscal year 2008 rebates grew to \$153,007. As shown in Table I.1 of this report, the MVC is second in statewide purchasing card expenditures, even with a much smaller budget than the larger agencies ranked below them. In January 2008 MVC filled a vacancy with an employee that has statewide purchasing card expertise to continue to manage the program growth. As a monitoring and assessment tool MVC officials have completed an annual purchasing card assessment as of August 28, 2008.

Missouri State Highway Patrol comments

We appreciate the work and cooperative efforts put forth by your employees to assist agencies in identifying strengths and weaknesses in their purchasing card systems.

The Patrol will continue to look for ways to ensure the purchasing card program works as efficiently as possible. The Patrol already has an internal control plan, and will continue to work with the Office of Administration (OA) to ensure our controls are adequately documented. In the past year, the Patrol has conducted agency-wide purchasing training, including a section on purchasing cards. We have also improved processes to ensure a more timely payment. One major change in procedures has been to obtain bills online, rather than receiving hard copies of statements thru the mail (which then had to be routed through several layers of staff before they could be paid). This streamlining saved about two to three weeks in the payment process. As OA is now sending out reports to use in conducting annual assessments of card usage, the Patrol will cancel cards and adjust limits as necessary.

The Patrol plans to use this audit report as a checklist to assist in compliance with established procedures, including supervisory approval of purchases, preventing the shared use of cards, and obtaining signatures of cardholders after their review of the log.

Agency Card Activity and Cards Outstanding

Tables I.1 and I.2 show the transaction activity and cards outstanding for the procurement and fuel cards for the periods identified.

Table I.1: Agency Procurement Card Activity

State Agency¹	Card Expenditures January 2006 to February 2008	Cards Outstanding at February 2008
Department of Transportation	\$19,865,946	1,225
Missouri Veterans Commission	11,509,383	80
Department of Conservation	6,495,080	1,492
Department of Natural Resources	2,661,855	302
Office of Administration	2,223,071	192
Department of Corrections	1,638,819	272
Missouri State Highway Patrol	1,277,017	192
Department of Elementary and Secondary Education	956,627	33
Department of Economic Development	935,123	119
Office of State Courts Administrator	807,335	10
Other	3,173,771	414
Total	\$51,544,027	4,331

¹ State departments with decentralized divisions are reported separately. These departments have delegated procurement responsibilities to the divisions.

Source: SAO analysis of contractor provided data.

Table I.2: Agency Fuel Card Activity

Agency	Card Expenditures Calendar Year 2007	Cards Outstanding at March 2008
Department of Conservation	\$2,709,764	1,447
Department of Transportation	1,465,591	7,367
Department of Public Safety	872,744	3,617
Department of Corrections	711,309	886
Department of Social Services	708,780	502
Department of Natural Resources	676,209	836
Department of Mental Health	499,047	890
Department of Agriculture	461,309	227
Department of Elementary and Secondary Education	263,111	176
Department of Revenue	252,615	127
Other	909,520	795
Total	\$9,529,999	16,870

Source: SAO analysis of contractor provided data.



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Missouri State Auditor

Chariton County



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Office of
Missouri State Auditor
Susan Montee, CPA

October 2008

The following findings were included in our audit report on Chariton County:

As similarly noted in previous reports, the County Commission does not maintain adequate, updated official minutes of its meetings and the county's personnel policy manual is outdated and incomplete. Administrative service fee transfers made by the county from the Special Road and Bridge Fund to the General Revenue Fund have exceeded five percent of actual expenditures by a cumulative total of \$70,858 for the three years ended December 31, 2007.

Approximately \$430 received by the Prosecuting Attorney's office between September 2005 and June 2006 were not deposited and appear to be missing. In addition, receipt slips are not issued for all monies received, the method of payment is not always indicated on the receipt slips, monies are not deposited timely, and the composition of receipt slips issued is not reconciled to the composition of monies received and deposited or transmitted. Also, a summary listing of all restitution cases referred to the Prosecuting Attorney for collection has not been established.

Neither the Sheriff nor the County Commission has formally analyzed methods for providing prisoner meals and purchases of food supplies have not been bid since 2004. Because of the county's fixed costs associated with meal preparation, increasing food supply costs, and the declining average number of prisoners held at the county jail each day, the county calculated the average cost to provide meals to each prisoner has increased from approximately \$9.50 per day in 2004 to about \$24 per day in 2007.

Open items listings are not prepared for the inmate checking account and controls over the snack and soda monies and inventory are not adequate. Also, the Sheriff has not established procedures to follow up on old outstanding checks and reimbursement has not been requested for some costs associated with extraditions of prisoners, resulting in potential lost revenue for the county.

The cash balance of the Emergency 911 Fund appears to be excessive and there is no documented long-term plan for the monies. Annual budgets do not include some information required by state law. Also, a time sheet is not prepared by the Emergency 911 director and prior to February 2008, overtime for Emergency 911 employees was not calculated in accordance with federal law.

Contracts between the Senate Bill 40 Board and the local sheltered workshop do not address the ownership of assets purchased with board funding and the assets are not numbered, tagged, or otherwise identified as board property.

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YELLOW SHEET

CHARITON COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Chariton County

We have audited certain operations of Chariton County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock, & Associates, Certified Public Accountants, have been engaged to audit the financial statements of Chariton County for the two years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Chariton County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Heather R. Stiles, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CHARITON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County Commission Minutes
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As discussed in previous audit reports, the County Commission does not maintain adequate, updated official minutes of its meetings. Unofficial notes from the meetings are maintained by one of the commissioners on a computer. These unofficial notes did not always include sufficient detail of discussions and items such as bid solicitations. As of March 2008, the County Clerk had not typed the minutes into the official record book or submitted them to the County Commission for approval since the previous March. As a result, there is less assurance these notes represent a correct record of matters discussed and actions taken.

Section 610.023(2), RSMo, states that each public governmental body shall make that body's public records available for inspection and copying by the public. By not maintaining an updated official minutes book, the only record of commission meetings available to the public is the unofficial notes. In addition, Section 51.120, RSMo, requires the County Clerk to maintain an accurate record of orders, rulings, and proceedings of the County Commission. A current, accurate record of commission proceedings would help the county demonstrate compliance with statutory provisions related to issues such as budget approval, the Sunshine Law, bidding, and purchasing decisions and would also serve as a reference source should questions arise from the public, employees, contractors, etc. In addition, timely approval adds assurance to the authenticity of official minutes and allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

WE RECOMMEND the County Commission ensure a formal and complete record of commission meetings is made and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission indicated it agrees with the recommendation and will implement it. The County Clerk indicated she has already set up a standard format on her computer, which has made entering the official minutes easier and allowed her to be more timely with producing the official minutes.

2.	County Personnel Policies
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As similarly reported in our prior audits, the county's personnel policies manual has not been updated since 1989. Policy changes, such as mileage reimbursement rates and county meal allowances are apparently communicated to the various county offices verbally. Additionally, the county does not have formal policies regarding personal use

of county phones or monthly allowance payments to some officials and employees for use of their personal cellular phones for county business. Although the County Commission indicated in the prior report that it would begin updating the personnel policy manual, this has not been completed.

An updated comprehensive personnel policy manual which summarizes policies can benefit both county officials and employees by providing a basic understanding between the parties regarding rights and responsibilities. In addition, an updated personnel policy manual can help ensure that county policies are fairly and consistently applied to all county employees.

WE AGAIN RECOMMEND the County Commission establish and formally adopt a current personnel policies manual, and ensure it is updated periodically to reflect new or changed policies. The manual should address issues such as the use of county phones and personal cellular phones for county business.

AUDITEE'S RESPONSE

The County Commission indicated it agrees with the recommendation and will work on updating the personnel manual.

3. Special Road and Bridge Fund Administrative Transfers

Administrative service fee transfers from the Special Road and Bridge Fund (SRBF) to the General Revenue Fund (GRF) were excessive. During the three years ended December 31, 2007, the county budgeted and made administrative service fee transfers of \$66,000 each year from the SRBF to the GRF. The county has similarly budgeted \$66,000 for the transfer in 2008. The county does not have documentation to support how the administrative service fee transfers were calculated.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRBF. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GRF for related administrative services to the SRBF, and shall not exceed five percent of the SRBF budget.

Although administrative service fee transfers were less than five percent of SRBF budgeted disbursements, the transfers exceeded five percent of actual disbursements for the years ended December 31, 2007, 2006, and 2005 by a total of \$70,858. This situation was partially due to budgeted activity exceeding actual disbursements as a result of some planned projects not being completed and the inability to replace some personnel.

WE RECOMMEND the County Commission base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund and retain documentation of the transfer calculations. In addition, the County Commission should

consider transferring \$70,858 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.

AUDITEE'S RESPONSE

The County Commission indicated it agrees and will base the administrative transfer on reasonable budget estimates and will also review the planned transfer near the end of the year to ensure the transfer does not exceed the amount allowable. In addition, the County Commission indicated it will transfer the accumulated excess balance of \$70,858 back to the Special Road and Bridge Fund.

4. Prosecuting Attorney's Controls and Procedures
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Problems with receipting procedures were noted under both the current and former Prosecuting Attorneys and some monies received were not accounted for properly. The Prosecuting Attorney's office has collected all court-ordered restitution, with the exception of juvenile cases, since February 2005. Court ordered restitution collected by the Prosecuting Attorney's office for the period of February 1, 2005 to December 31, 2007, totaled approximately \$70,000. In addition, the Prosecuting Attorney's office collects bad check restitution and bad check collection fees. The current Prosecuting Attorney took office in January 2007.

- A. Some monies received for court-ordered restitution were not deposited and appear to be missing. Since the Prosecuting Attorney's office began collecting restitution in February 2005, receipt and payout activity, as well as the balance still due, have been tracked on manual restitution payment sheets for each defendant. The current Prosecuting Attorney implemented a computerized accounting system to track this activity and reconcile to the bank account balance. To set up the computerized system, the current Prosecuting Attorney entered all payments received from the validated bank deposit slips as well as all disbursements made to victims based on checks written. The Prosecuting Attorney also compared this information to receipt slips issued and activity posted on the manual restitution payment sheets.

In the process of entering this activity into the computerized system, the Prosecuting Attorney identified four cash transactions received between September 2005 and June 2006, totaling \$430, for which money appears to have been received but never deposited. We vouched the information entered by the Prosecuting Attorney and in all four instances noted, a receipt slip was issued by the former secretary for the restitution payment received, the collection was noted on the individual manual restitution payment sheet for each case, and a check was written from the restitution account for payment to the victim, but the monies were never actually included in a deposit that cleared the bank account. As a result, the bank account is short by at least this amount. Additionally, one of

these payments was included on an original deposit slip that was prepared but never cleared the bank.

B. The following concerns were noted regarding the office's receipting procedures:

1) Receipt slips are not issued for all monies received and the method of payment is not always indicated. Cash, checks, and money orders received for restitution payments are deposited into the Prosecuting Attorney's restitution account for later disbursement. Money orders received for payment of bad checks and bad check collection fees are turned directly over to the merchant or the county treasurer, respectively.

- The prior Prosecuting Attorney's staff did not issue receipt slips for all restitution payments received and some receipt slips did not indicate the method of payment. We noted a number of payments included in deposits and posted to individual restitution payment sheets for which no receipt slips had been written.
- While the current Prosecuting Attorney's staff does issue receipt slips for court-ordered restitution payments, receipt slips are not issued for money orders received for payment of bad checks and related fees. Bad check activity is entered onto a manual log to track payments received and subsequent transmittals to the merchant and county treasurer. However, without sequential numbering of bad check complaints or prenumbered receipt slips, there is less assurance all monies received are accounted for properly.

2) Receipts are not always deposited intact or in a timely manner. In addition, the composition of receipt slips issued is not reconciled to the composition of monies received and deposited.

- Under the prior administration, deposits were made only approximately three times per month. In addition, some payments were apparently not deposited for several months, and as noted in part A above, some receipts were never deposited.

We noted receipt slips issued for two cash payments on November 8, 2005, which were included on a deposit slip dated January 31, 2006, and which cleared the bank on July 28, 2006. Additionally, the original copies of some deposit slips did not always match the deposit slip which cleared the bank. For example, the original copy of a deposit slip, which cleared the bank in November 2005, indicated a deposit of \$672; however, the actual validated deposit slip from the bank indicated a deposit of \$563.

- Under the current administration, monies received are not deposited in a timely manner and the composition of receipt slips issued is not reconciled to the composition of monies received and deposited. A cash count performed on March 25, 2008, included monies totaling \$446 that had been received between March 14 and March 19, 2008, and had not yet been deposited. Based on three bank statements reviewed, the office deposits an average of 4 times per month.

To properly account for all monies received, prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded on each receipt slip, the numerical sequence of receipt slips issued should be accounted for, and the composition of receipt slips issued should be reconciled to the composition of bank deposits or transmittals to applicable parties. Additionally, deposits should be made intact on a timely basis.

- C. As noted in our prior audit, overall records of court-ordered restitution are not adequate. A summary listing of all restitution cases referred to the Prosecuting Attorney for collection, and related amounts due, has not been established and used to ensure all cases are accounted for on the computerized and manual case records. The process of collecting court-ordered restitution was shifted from the Sheriff's department to the Prosecuting Attorney's office in February 2005. Individual manual payment sheets are maintained by the Prosecuting Attorney's office for each case which shows the restitution amount ordered, and all receipts and disbursements related to the case. In addition, the current Prosecuting Attorney has established a computerized accounting system to track the activity of cases; however, the system only includes cases for which activity has run through the bank account. Due to the lack of a summary listing of all restitution cases ordered, it is unclear whether the transactions noted in part A above represent all cases where money was received but not deposited.

While the Circuit Clerk's office refers the cases on which restitution is ordered to the Prosecuting Attorney, information regarding the restitution amount ordered is not entered into the court's Justice Information System (JIS) with other criminal costs due from the defendant. The Circuit Clerk indicated this is not done since collecting the restitution is not the responsibility of the court. Because the court does not enter this information into JIS and the Prosecuting Attorney's office does not maintain a summary listing of restitution amounts owed, the Prosecuting Attorney's office cannot be sure manual records and the computerized accounting system include all cases for which restitution was ordered or activity has occurred. Additionally, the county's ability to monitor and follow up on outstanding amounts due is lessened. A complete and accurate listing of court-ordered restitution would allow the Circuit Court and the Prosecuting Attorney to more easily review the amounts due and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

WE RECOMMEND the Prosecuting Attorney:

- A. Take the necessary action to recover the missing funds and work with law enforcement officials regarding any criminal investigation.
- B. Issue receipt slips for all monies received, account for the numerical sequence of the receipt slips, indicate the method of payment on the receipt slips, and reconcile the composition of receipt slips issued to the composition of the monies received and deposited or transmitted. In addition, the Prosecuting Attorney should deposit all monies intact on a timely basis.
- C. Work with the Circuit Clerk to establish a summary listing of all restitution amounts ordered to be collected and ensure that the status of cases with restitution balances are monitored and all appropriate actions are taken to pursue any unpaid amounts due.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *She agrees with the recommendation and will pursue legal action if possible and will investigate the possibility of filing a claim with the bonding company to recover these funds.*
- B. *She agrees with the recommendation and has already begun issuing receipt slips for all monies received. She also indicated that deposits are now being made more frequently and she will begin comparing the composition of the receipt slips to the composition of the deposits and transmittals.*
- C. *She agrees and will work with the Circuit Clerk to establish a master listing of all restitution ordered and will monitor to ensure all cases are included on the listing and accounted for in the office's records.*

The prior Prosecuting Attorney provided the following response:

I did not take and have no knowledge about the \$430 that was not deposited into the restitution account. I will cooperate in all investigations or proceedings concerning the recovery of that amount. Certainly, it was the intent of the office to completely account for all restitution. I apologize to the taxpayers of Chariton County for whatever mistakes were made.

5. Sheriff's Controls and Procedures

The Sheriff's department controls and procedures for prisoner meals, open items listings, and snack and soda inventories are not adequate. Additionally, improvements are needed

over procedures related to outstanding checks and the Sheriff's department has not submitted transport reimbursement requests in a timely manner.

A. Neither the Sheriff's department nor the county has formally analyzed methods for providing prisoner meals to determine the most cost effective method and purchases of food supplies have not been bid since 2004.

- 1) The county has not analyzed whether the current method of providing prisoner meals is the most cost effective. The county provides prisoner meals by purchasing food supplies from a local vendor and having two full-time cooks prepare and serve daily meals at the county jail. During the years ended December 31, 2007 and 2006, the county spent approximately \$20,600 and \$23,000, respectively, on food supplies for the jail. Additionally, the county spent approximately \$36,200 and \$35,300, respectively, on labor costs associated with the preparation of these meals. The average daily number of prisoners held in the county jail has decreased from twenty-one in 2004 to seven in 2007. Because of the county's fixed costs associated with meal preparation and the declining number of prisoners held at the county jail each day, the county calculated the average cost to provide meals to each prisoner has increased from approximately \$9.50 per day in 2004 to about \$24 per day in 2007.

An analysis should be completed by the Sheriff's department and the County Commission to ensure that expenditures for prisoner meals are reasonable and to determine if there are more cost effective alternatives available for providing prisoner meals.

- 2) Neither the Sheriff's department nor the county has solicited bids or periodic quotes for purchases of food supplies for the jail since 2004. At that time, the bid was awarded to the lowest local supplier as the Sheriff indicated that he wanted to purchase food supplies from a local supplier to support local vendors and to keep tax dollars in the county. Section 50.660, RSMo, requires the advertisement for bids for any purchases of \$6,000 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. Various approaches for soliciting bids for food purchases may be appropriate. These approaches could include identifying potential suppliers and soliciting price quotes or obtaining periodic price lists to use to make purchases in the most economical manner. Whichever approach is used, complete documentation of bids should always be retained as evidence of the

Sheriff's established procedures, as well as compliance with statutory requirements.

- B. The Sheriff's department receives personal monies from inmates and operates a commissary for prisoners to purchase snacks and soda. Additionally, the Sheriff's department collects monies for the sale of snacks and sodas to employees and visitors. During our review of procedures relating to these monies, we noted the following concerns:

- 1) Open items listings are not prepared for the inmate checking account. Personal monies received from inmates are deposited into the inmate checking account and the activity related to each inmate's money is tracked on an individual inmate money sheet. Although the daily receipt and disbursement activity is reconciled to the individual inmate money sheet, the total of inmate balances from the inmate money sheets is not periodically compared to the inmate checking account balance. At our request, the Sheriff's department prepared an open items listing as of March 31, 2008, and attempted to agree the listing to the reconciled bank balance. This comparison revealed an excess balance of approximately \$222 in the bank account.

Accurate open items listings prepared on a regular basis and reconciled to cash balances are necessary to properly document all known liabilities and to detect and correct errors timely. Reconciling the cash balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Sheriff's department should investigate any differences noted in these reconciliations and take appropriate action.

- 2) Snack and soda inventories are purchased with county General Revenue Fund monies to operate the commissary and for snacks and soda purchases for Sheriff's department employees and visitors. Monies received from the sales to employees and visitors are not properly controlled or accounted for and are simply placed in cans in the booking area. Also, a periodic comparison of county purchases to total sales (comprised of sales to inmates, visitors, and other county employees) is not completed accurately as additions to the inventory record are recorded at the purchase cost to the county while the ending balance is based on the sales value of the physical number of units remaining in inventory. Failure to use a consistent basis of measurement makes determining expected sales difficult. As of December 31, 2007, the Sheriff's department noted a shortage of \$1,071 in soda funds when comparing the amount collected with the expected revenues based on the supplies used. This shortage could be caused by individuals not paying for purchases, poor accounting records, and theft or misuse of funds because monies are not maintained in a secure location.

To establish accountability and adequately protect monies from loss, theft, or misuse, monies should be secured in a location with access limited to the individual responsible for the monies and records should be maintained for all monies received. Additionally, when comparing county purchases to total sales, the same unit of measure should be used throughout the process.

- C. The Sheriff's department has not established procedures to routinely follow up on outstanding checks. At December 31, 2007, 57 checks totaling approximately \$300 were over one year old. These checks ranged in dates from December 2006 to as far back as 1998. Old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Payees should be contacted and old outstanding checks should be voided and reissued if necessary. If the payees cannot be readily located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.505, RSMo.

- D. The Sheriff's department did not request reimbursement from the state for extradition costs contracted out to a private vendor. Section 548.243, RSMo, allows the county to contract with a private transport company to provide prisoner extradition services. The costs incurred by the county in using the transport company can then be reimbursed by the state. The Sheriff indicated that he was not aware these contracted costs could be billed. Section 33.120, RSMo, requires all claims to be submitted to the state's Office of Administration (OA) within two years after the claim accrues. As a result, the Sheriff's department will apparently only be able to submit reimbursement claims for transports that occurred since the latter portion of 2006. Total costs incurred by the county for the prisoner extradition services was approximately \$3,000 and \$800 in 2007 and 2006, respectively.

The Sheriff's department should work with the state's Office of Administration to ensure all possible transport costs are reimbursed. In addition, the Sheriff's department should ensure that all future reimbursement claims are submitted to the state in a timely manner.

WE RECOMMEND the Sheriff:

- A. And the County Commission consider whether the county might have other less costly alternatives for providing prisoner meals and competitively purchase jail food in accordance with state law.
- B.1. Investigate the reason for the difference between the subsidiary ledger sheets and inmate account balance. In addition, the Sheriff should prepare a monthly open

items listing of individual inmate balances and reconcile it to the bank account balance.

2. Limit the access to snack and soda monies received and maintain records of all monies received. Additionally, the Sheriff should conduct accurate periodic comparisons of county purchases to overall sales and investigate discrepancies.
- C. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the balance should be distributed in accordance with applicable state law.
- D. Seek reimbursements for allowable transports conducted in 2007 and 2006. In addition, the Sheriff should ensure all future reimbursable transport costs are billed to the state in a timely manner.

AUDITEE'S RESPONSE

- A. *The County Commission indicated it will work with the Sheriff to consider if there are other alternatives for providing meals to prisoners and for competitively purchasing food supplies.*

The Sheriff indicated:

- A. *He will discuss the issue with the County Commission to determine if there are other alternatives available. He indicated that the daily average number of prisoners has increased in recent months, lowering the average cost per prisoner.*
- B.1. *He agrees with the recommendation and will ensure it is implemented.*
2. *He agrees and his department has now installed a soda machine to help control access to the soda and the money. Additionally, a comparison of sales to money received has been implemented and documentation will be maintained for any special uses of soda for manhunts, etc., where soda is used, but money is not received.*
- C. *He agrees and will implement this recommendation.*
- D. *He agrees with the recommendation and will work with the Circuit Clerk to ensure costs are either billed to the cases as court costs or submitted to the state for reimbursement. He will also contact the state to see if any reimbursement is possible on the past cases.*

6. Emergency 911 Board's Controls and Procedures

Budgetary procedures, as well as records and procedures related to timesheets and calculation of overtime, are in need of improvement.

A. The following issues regarding budgets were noted:

- 1) The cash and investment balance of the Emergency 911 Fund at December 31, 2007, totaled approximately \$900,000, more than two times the total operating disbursements for the year. In addition, based on current budgeted receipts and disbursements, the Board anticipates an ending balance of approximately \$980,000 for 2008. While Emergency 911 dispatching operations can periodically require expensive equipment or software upgrades, the Emergency 911 Director indicated there are no specific plans for these funds.

Accumulating an excessive cash balance with no long-term plans for the use of the monies puts an unnecessary burden on taxpayers. The Emergency 911 Board should take measures to reduce the cash balance or document future plans for the monies in the budget. If there are no firm future plans for the excess monies, consideration should be given to temporarily reducing the Emergency 911 sales tax levy as allowed under Section 190.335, RSMo.

- 2) The Emergency 911 Board does not prepare and adopt annual budgets in accordance with statutory provisions. The budgets do not include a budget message, actual receipts and disbursements for the two preceding budget years, or estimated ending available resources. The budgets show only the beginning balance and the budgeted receipts and disbursements for the upcoming year.

Sections 50.525 to 50.745, RSMo, require the preparation of an annual budget which should present a complete financial plan for the ensuing budget year and set specific guidelines for the format and contents of the annual budget. A complete and well-planned budget, in addition to meeting statutory requirements, can provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. It will also assist in setting sales tax rates and informing the public about board operations and current finances.

B. We noted the following issues regarding the calculation of overtime and preparation of timesheets:

- 1) Prior to February 12, 2008, overtime for Emergency 911 employees was not calculated in accordance with the Fair Labor Standard Act (FLSA), resulting in a potentially significant liability to the fund. Overtime was computed based on time in excess of 80 hours worked in a two-week period, rather than after a 40-hour work week as required by law. We noted more than 92 hours of overtime owed to six employees for the three month period of time reviewed in detail.

The FLSA requires the board to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week.

- 2) Time sheets are not prepared by the director, who is a salaried employee and paid the same amount each pay period. Detailed time sheets would document hours actually worked, provide information necessary to monitor leave, and are beneficial in demonstrating compliance with board policy and FLSA requirements.

WE RECOMMEND the Emergency 911 Board of Directors:

- A.1. Develop and document a long-term plan for the use of the excessive cash balance or take steps to temporarily reduce fund revenues.
2. Prepare annual budgets that contain all information as required by state law.
- B.1. Review current personnel policies to ensure compliance with the FLSA and correct the overtime balances for Emergency 911 employees.
2. Require all employees to prepare a time sheet.

AUDITEE'S RESPONSE

The E911 Board and Director indicated:

- A.1. *They agree and have spent funds recently updating some computer systems and have plans to purchase some new mapping software. Additionally, they have recently decreased the sales tax rate by an additional one-eighth cent. They indicated they have tried to take a conservative approach to build up adequate reserves to run the system and ensure the taxpayers receive the level of services they deserve. Information regarding the planned uses of the accumulated reserves will be included in the annual budget message.*
2. *They agree and will ensure future budgets include all required information.*
- B.1. *They agree and the recommendation has already been implemented.*
2. *They will consider the implementation of the recommendation.*

7. Senate Bill 40 Board's Capital Asset Records and Procedures

The Senate Bill 40 (SB40) Board does not adequately account for capital assets purchased with funding provided to the sheltered workshop. The SB 40 Board contracts with a not-for-profit entity to operate the local sheltered workshop. Some of the funding provided under the contract, as well as occasional special grants, can be used to purchase

capital assets for use by the sheltered workshop. However, the contract does not address the ownership of any assets purchased, these capital assets are not properly numbered, tagged, or otherwise identified as property of the SB 40 Board and periodic physical inventories are not performed.

Adequate capital asset records and monitoring procedures are necessary to provide adequate internal controls over board property and establish ownership of the assets in the event the sheltered workshop contractor ceases operations. The comparison of periodic inventories to overall capital asset records could potentially identify unrecorded additions and dispositions, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect board assets.

WE RECOMMEND the Senate Bill 40 Board maintain adequate capital asset records, implement monitoring procedures over board property, and ensure contracts establish the board's ownership of the assets.

AUDITEE'S RESPONSE

The SB40 Board indicated it agrees and will implement the recommendation.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

CHARITON COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Chariton County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

The County Commission sometimes approved expenditures without reviewing detailed supporting documentation and ensuring the goods or services had been received.

Recommendation:

The County Commission require sufficient detailed documentation and notation of receipt of goods and services be provided to support expenditures from county funds.

Status:

Implemented.

2. County Officials' Salaries

A. The county had not taken action on mid-term salary increases given to some elected officials in 1999, which appeared invalid based on a 2001 Missouri Supreme Court decision.

B.1. There was no documentation from legal counsel supporting whether the Public Administrator should have received the minimum salary provided by state law or a percentage of the minimum.

2. Prior to 2001, the Public Administrator was compensated with a combination of fees assessed to cases and \$6,000 authorized by the county salary commission and paid from the General Revenue Fund. Since going to a salary-only basis in 2001, the Public Administrator had not provided time and mileage records for the court's approval and no fees had been assessed and transmitted to the county treasury.

Recommendation:

A. The County Commission review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

B.1. The County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

2. The Public Administrator work with the Associate Circuit Judge to ensure appropriate fees are assessed to cases and transmitted to the county treasury.

Status:

A. Partially implemented. The County Commission indicated they consulted with legal counsel and based on that advice, decided not to pursue repayment of the salary overpayments.

B.1. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Implemented.

3. County Personnel Policies

A. Policy changes, such as mileage reimbursement rates and county meal allowances, were communicated to the various offices and officials via memos or verbal discussion rather than by formally updating the personnel manual periodically.

B. The county did not have formal policies regarding personal use of county phones or monthly allowance payments to some officials and employees for use of their personal cellular phones for county business.

C. The Coroner and former Prosecuting Attorney submitted mileage and cellular phone reimbursement requests pertaining to several months or a year at one time, rather than monthly as required by county policy.

D. The county made disbursements for personnel services, related payroll taxes, and other payroll withholding for various personnel of two multi-jurisdictional drug task forces. These individuals were treated as county law enforcement employees and provided the same fringe benefits as other county employees, but did not always comply with the county's leave and overtime policies.

Recommendation:

A. The County Commission establish and formally adopt a current personnel policies manual, and ensure it is updated periodically to reflect new or changed policies.

B. The County Commission develop a formal policy regarding the use of county phones and personal cellular phones for county business.

C. The County Commission require adherence to established county policies.

- D. The County Commission reevaluate its arrangement with the task forces and ensure fair and consistent application of policies.

Status:

A&B. Not implemented. See MAR finding number 2.

- C. Not implemented. The county continues to honor requests for mileage and cellular phones reimbursements for periods of up to two months. Although not repeated in the current MAR, our recommendation remains as stated above.

- D. Implemented.

4. General Fixed Assets

Additions were not added to fixed asset records as they occurred and numerous equipment purchases were not recorded on the county's fixed asset listing. In addition, property tags were not affixed to all county property and required physical inventories were not performed.

Recommendation:

The County Commission and County Clerk work with the various county officials to ensure compliance with county fixed asset policies, property items are tagged and recorded on the fixed asset records timely, fixed asset records include proper details, and required inventories and inspections are performed.

Status:

Implemented.

5. Townships' Published Financial Statements

The County Clerk did not ensure financial statements of township road boards were prepared and published as required by state law.

Recommendation:

The County Clerk prepare a form to be utilized by the townships that provides a detailed account of the township's financial activity and property. In addition, the County Clerk should ensure all townships file completed financial statements with her office and publish in a local newspaper in accordance with state law.

Status:

Implemented.

6. Circuit Court Accrued Costs Procedures

- A.1. There was no formal communication to the Sheriff's department notifying them of their obligation to collect victim restitution money on applicable cases. Information such as a case number, defendant name(s), restitution amounts assessed, and payment plan details were not provided.
- 2. Some defendants monitored by the Sheriff's department were not making payments in accordance with their order of probation or specified court order. In addition, for some cases there were discrepancies between the Sheriff's department restitution payment records and the probation and parole case summary report or the Sheriff's department records initially showed the wrong amount due.
- 3. Sheriff's department personnel deemed some case restitution amounts to be uncollectible, removed the files from the active cases, and placed them in storage. The court was not notified and there was nothing in the court's records regarding the status of the cases.
- 4. Overall records of court-ordered restitution were not adequate. Except for restitution pertaining to juvenile cases, the Circuit Court did not enter information regarding restitution orders and amounts into the court's Justice Information System (JIS) with other criminal costs due from the defendant. The Sheriff's department also did not maintain a summary listing of restitution amounts due and paid.
- B. After closing a case and determining the accrued costs, the Circuit Clerk prepared and sent a cost bill to the defendant. However, the collection of the accrued costs was not monitored and the Circuit Clerk did not initiate any further collection procedures if payment was not received.

Recommendation:

- A. The Circuit Clerk work with the Circuit Judge and Sheriff to improve communication efforts, develop court-ordered restitution records, and ensure that the status of cases with restitution balances are monitored and all appropriate actions are taken to pursue any unpaid amounts due.
- B. The Circuit Clerk establish adequate procedures to monitor and collect accrued costs.

Status:

- A. Beginning in February 2005, the responsibility to collect court-ordered restitution was transferred from the Sheriff to the Prosecuting Attorney. See MAR finding number 4 for related issues.
- B. Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CHARITON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Chariton County is a township-organized, third-class county and is part of the Ninth Judicial Circuit. The county seat is Keytesville.

Chariton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 8,438 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$	54,715,050
Personal property		28,019,490
Railroad and utilities		38,525,782
Total	\$	<u>121,260,322</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Chariton County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.00500	None	50	%
Law enforcement	.00500	None	None	
Use tax	.01000	None	None	
Enhanced 911	.00875	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Tony McCollum, Presiding Commissioner		24,572
Ray Dowell, Associate Commissioner		22,572
Gail Brown, Associate Commissioner		22,572
Susan Littleton, County Clerk		34,200
Renaeh Ehler, Prosecuting Attorney		40,500
Christopher Hughes, Sheriff		37,800
Larry Breshears, County Coroner		9,900
Patti Yung, Public Administrator		18,000
Beverly Vasser, County Collector-Treasurer, year ended March 31,	34,200	
Darrin Gladbach, County Assessor (1), year ended August 31,		34,888

(1) Includes \$688 annual compensation received from the state

State-Paid Officials:

Eric Stallo, Circuit Clerk and Ex Officio Recorder of Deeds	51,197
Michael Midyett, Associate Circuit Judge	101,090



Susan Montee, CPA
Missouri State Auditor

Transportation Development Districts



October 2008
Report No. 2008-66

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

October 2008

The following problems were included in our audit of Transportation Development Districts (TDDs).

As of December 31, 2006, 122 transportation development districts (TDDs) have been established in the state of Missouri, including 24 established in 2006. Almost 70 percent of the districts are located in the St. Louis and Kansas City metropolitan areas. Although the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of a statutory change made that year that allowed the owners of real property located within a proposed district to petition for its creation, if there were no registered voters residing within the district. This statutory change resulted in a dramatic increase in the number of TDDs established in recent years, though that trend changed in 2007, with only 13 additional TDDs being established in 2007.

Of the 122 TDDs established as of December 31, 2006, 96 percent were initiated by a petition filed by the property owners, and all of them have imposed sales taxes, with rates ranging from one-eighth of one percent to one percent on retail items sold within the respective districts' boundaries. In a survey of those TDDs, officials or representatives of the TDDs reported total estimated transportation project costs of over \$1.19 billion. In addition, those TDDs reported that total estimated revenues of over \$1.45 billion would be collected over the lives (ranging from 5 to 40 years) of the respective TDDs. In addition, 39 percent of the TDDs established as of December 31, 2006, were located either completely or partially in a tax increment financing (TIF) redevelopment area. State laws provide that 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that TIF area; however, in some instances, the applicable city has allowed the TDD to apply most, if not all, of its sales tax revenue to its own transportation project costs.

Our initial audit of TDDs (Report No. 2006-12, issued in March 2006) reported various issues in the areas of public awareness/involvement, accountability, and compliance. We recommended the General Assembly review these issues and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes. However, during the 2007 legislative session, only one change was made to the TDD statutes that addressed any of the issues reported in that initial audit. During the 2008 session, additional TDD legislation was introduced, but not passed.

(over)

YELLOW SHEET

Our current audit reviewed nine individual TDDs that were established in 2004. Various concerns were noted related to construction contracts and/or project management services involving transportation projects. Competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In addition, proposals were not solicited for project management services in some districts, including one instance in which the project manager was a related party. In another instance, the only proposal received for the project management services was a related party.

Requests for proposals for various professional services were generally not solicited, with much of these costs being incurred prior to the establishment of the applicable districts. These services primarily were provided by engineers and legal counsel.

In one district, substantial progress had not been made as of early 2008 in the completion of the district's transportation projects, even though the district issued revenue bonds in 2005 to finance the projects, and the retailers in that district have been charging a sales tax on all purchases since June 2005. Further, the costs now projected to complete the projects are significantly higher than the original estimated costs. In another district, the revenues of the district may not be sufficient to meet the financial obligations/debt of the district or fully reimburse the developer for transportation-related costs incurred.

For several other districts, adequate documentation to support the project costs incurred had not been provided, some involving the purchase of land and/or right-of-way. In another district, customers of the major retailer within the district were incorrectly charged sales tax for three months prior to the sales tax becoming effective, resulting in an overpayment of sales taxes to the district of approximately \$96,000 for this time period.

Various problems were noted related to the annual budgets of several selected districts. In addition, many of the TDDs (23 percent of all districts established) had not filed annual financial reports with the SAO, as statutorily required. Another concern reported related to one district's lack of compliance with the Open Meetings Law.

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TRANSPORTATION DEVELOPMENT DISTRICTS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited transportation development districts (TDDs) established in the state of Missouri. The audit was conducted relative to our responsibilities pursuant to Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2006. The objectives of our audit were to:

1. Report selected information regarding the various TDDs.
2. Determine and report the TDDs' estimated transportation project costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs.
3. Report on the status of various issues in the areas of public awareness/involvement, accountability, and compliance which were reported in our initial audit of TDDs (Report No. 2006-12, issued in March 2006).
4. Perform and report on audit work related to 9 selected TDDs that were established in 2004, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Our methodology included reviewing financial reports or audits filed with the State Auditor's Office and information maintained by the Missouri Department of Transportation (MoDOT); reviewing minutes, financial records and other information maintained by or received from various TDD officials/representatives and municipal officials; testing selected transactions; and interviewing various TDD officials/representatives and municipal officials. Some of the selected TDDs had engaged independent auditors to audit their financial statements for the years under review. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the applicable independent auditors.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Objectives, Scope, and Methodology and Observations and Results sections present our comments, observations, and results regarding our audit of the transportation development districts.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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In-Charge Auditor:	Robert L. McArthur II
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OBJECTIVES, SCOPE, AND METHODOLOGY

TRANSPORTATION DEVELOPMENT DISTRICTS OBJECTIVES, SCOPE, AND METHODOLOGY

Sections 238.200 to 238.280, RSMo, allow for the formation of transportation development districts (TDDs). These entities are separate political subdivisions established and organized for the construction of roads, bridges, interchanges, or other transportation-related projects. The projects are generally financed by these districts through the issuance of notes, bonds, or other debt securities for a period not to exceed 40 years. Therefore, most TDDs generally will not exist more than 40 years. A TDD is governed by a board of directors of not less than 5 nor more than 15 members. The boards have the authority (after qualified voter approval¹) to impose sales taxes or tolls, or levy property taxes or special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. The revenues of a TDD, the majority of which are sales taxes, can only be used for transportation-related projects.

The process of establishing a TDD is initiated by the filing of a petition in the circuit court of the county where the proposed district is located. Such a petition can be filed by: (1) not less than 50 registered voters within the proposed TDD; (2) all the owners of real property located within its proposed boundaries, if there are no eligible registered voters residing within the proposed district; (3) a local transportation authority; or (4) two or more local transportation authorities. A local transportation authority includes a county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services.

For those TDDs established as of December 31, 2006, most of the petitions initiating their establishment were filed by the owners of the property located within the proposed district. See Appendix A for a complete list of all TDDs established as of December 31, 2006, and information regarding their establishment.

State law requires that a copy of the petition filed to establish a TDD be provided to the Missouri Highways and Transportation Commission (highway commission) and each affected local transportation authority. Those entities are then allowed to file an answer stating agreement with or opposition to the creation of the district. In addition, any resident, taxpayer, or any other entity within the proposed district may join in or file a petition supporting or answer opposing the creation of the district. The circuit court subsequently hears the case, if necessary, and makes a decision whether to authorize the establishment of the district.

Many TDDs are located within a tax increment financing redevelopment (TIF) area. Tax increment financing is authorized pursuant to Sections 99.800 to 99.865, RSMo, and these statutes allow a municipality (a city or county) to approve TIF plans and use new tax revenues generated by development to reimburse certain costs related to that development. See Appendix B for information regarding whether a particular TDD is located within a TIF area.

¹ Section 238.202, RSMo, currently defines qualified voters as any persons residing within the proposed or established district who have registered to vote pursuant to Chapter 115, RSMo, and the owners of real property, who shall receive one vote per acre, provided that any registered voter who also owns property must elect whether to vote as an owner or a registered voter.

Section 67.010, RSMo, requires each TDD to prepare an annual budget which represents a complete financial plan for the ensuing fiscal year. In addition, Section 105.145, RSMo, requires each district to file an annual financial report with the State Auditor's Office (SAO).

Although there is no statutory annual audit requirement, many districts have issued bonds and are required to obtain annual audits by the bond covenants or bond underwriter. In addition, Section 238.272, RSMo, provides the SAO shall audit each TDD once every 3 years, and may audit more frequently if deemed appropriate. The cost of the audit is to be paid by the respective district.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the highway commission or the local transportation authority, and the district has no outstanding liabilities. In addition, a TDD can be abolished if the board of directors determines the projects cannot be completed due to lack of funding or for any other reason. Prior to a TDD submitting the question to abolish the district to the applicable voters, the SAO must audit the TDD to determine its financial status, and whether it can be abolished.

As noted in our previous report, in September 2006, the SAO was advised of actions taken to abolish the Hyannis Port Road TDD, in Jefferson County. The SAO subsequently performed an audit of this TDD (Report No. 2006-84, issued in December 2006), and this TDD was formally abolished in March 2007. In addition, in April 2007, the SAO was advised of plans to abolish the Eureka South I-44 TDD, in St. Louis County. Because no taxes had been imposed by this district nor had any other financial activity occurred, no final audit was required. This TDD was formally abolished in June 2008.

Objectives

The objectives of this audit were to 1) report selected information regarding the various TDDs; 2) determine and report the TDDs' estimated transportation project costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs; 3) report on the status of various issues in the areas of public awareness/involvement and accountability and compliance which were reported in our initial audit of TDDs (SAO Report No. 2006-12, issued in March 2006); 4) perform and report on audit work related to 9 selected TDDs that were established in 2004, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Scope

The scope of this audit included, but was not necessarily limited to, those TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2006. At December 31, 2006, 122 TDDs had been established in the state of Missouri. Twenty of these TDDs were established in 2004, had existed for portions of at least 3 fiscal years, and were not previously considered or selected for review by the SAO. During our previous two audits of TDDs, we had performed a review of 16 and 17 selected TDDs,

respectively, that had operated for three fiscal years as of December 31, 2004, and December 31, 2005.

Information used to complete this report included:

- TDD annual financial reports or audit reports and related information submitted to and maintained by the SAO.
- The provisions of the Transportation Development District Act, which include Sections 238.200 to 238.280, RSMo.
- A TDD database, petitions, court orders, and related information maintained by the Missouri Department of Transportation (MoDOT).
- Completed questionnaires, received from officials/representatives of the TDDs, which requested information including, but not limited to, estimated project costs, financing obligations, anticipated revenues, and expected life of the respective TDD.
- Communications with, and information received from, various TDD officials/representatives and municipal officials.
- TDD financial records, including but not limited to, agendas and minutes, bank statements, financial records, invoices, budgets, contracts, bid documentation, and/or debt service agreements. These records were maintained by the district or their records custodian.

Methodology

During our audit, we used annual financial reports or audit reports that had been filed by the various TDDs with the SAO as well as an internal database established by the SAO to identify those TDDs established in 2006 and prior and to account for the various financial reports/audits received.

We gathered additional information regarding the TDDs established in 2006 through discussions with various MoDOT officials and from a TDD database and files maintained by that agency. Information obtained included TDD name, location, applicable county/municipality, date established, identity of the individual(s)/entity who filed the petition, the type of funding (i.e., sales taxes, property taxes, etc.), and the funding rate (e.g., 1 percent). Some of this information is presented in Appendix A.

Similar to procedures used in our previous audits, survey questionnaires were sent to each TDD established in 2006, requesting information including, but not limited to, the geographic location of the TDD, estimated total project costs, how project costs were financed and the amount of that financing, estimated total revenues to be collected and over what period of time, when the collection of revenue and incurrence of expenses started, who was responsible for collection of the revenues and the administering of the funds, whether financial audits have been conducted by an independent auditor, the name of the development and type of businesses in the district, and

whether or not the TDD is located in a TIF redevelopment area. Some of the survey information received from the TDDs is presented in Appendix B.

Relative to our audit responsibilities pursuant to Section 238.272, RSMo, we selected and conducted audit work related to various TDDs (the selected districts) based on the significance of their financial activity, because their transportation projects had been substantially completed by the end of fiscal year 2006, and/or other considerations. Those districts not selected for review did not have as significant a level of financial activity and/or their transportation projects were not substantially completed by the end of fiscal year 2006.

The selected districts included 4 of 7 districts that were audited by an independent auditor and 5 of 13 districts that were unaudited. Three of the audited districts were selected because of the significance of their financial activity, with all of them having recorded expenditures in excess of \$7 million during fiscal years 2004 through 2006. The fourth audited district, the Olive Boulevard TDD, was selected because of concerns reported about this district. Because of the circumstances surrounding the concerns raised, we extended our review of this TDD through March 2008.

The 5 unaudited districts were selected because their transportation projects had been substantially completed and significant financial activity had been incurred by either the TDD or developer through the end of fiscal year 2006. The reported disbursements of the 8 unaudited districts which were not selected totaled less than \$1.52 million during fiscal years 2004 through 2006.

The following table includes the 20 TDDs considered for review during our current audit, including the 9 TDDs selected for review. Some of the TDDs had financial statement (F/S) audits performed by independent auditors.

TDD Name	Date Established	Fiscal Year-End	F/S Audits Performed		Unaudited	
			Selected for Review by SAO	Not Selected for Review by SAO	Selected for Review by SAO	Not Selected for Review by SAO
Brentwood/Strassner Road	02/24/04	12/31	X			
Hutchings Farm Plaza	03/04/04	12/31				X
Mexico Road	04/08/04	12/31			X	
Southtown	04/12/04	12/31			X	
Francis Place	04/13/04	12/31			X	
Poplar Bluff Conference Center	05/04/04	12/31			X	
Eureka Commercial Park	05/10/04	06/30				X
Hanley Road and North of Folk Avenue (1)	05/19/04	12/31	X			
Megan Shoppes (2)	06/07/04	12/31		X		
Folk Avenue South (1)	07/14/04	06/30	X			
St. Joseph Gateway	07/20/04	12/31				X
Park Hills	07/28/04	12/31				X
Hawk Ridge	09/02/04	06/30			X	
Olive Boulevard (2)	09/09/04	06/30	X			
Shoppes at Stadium	09/27/04	12/31		X		
Stadium Corridor	10/04/04	12/31				X
Troy/Lincoln County (1)	10/05/04	06/30		X		
Chesterfield Commons	10/12/04	12/31				X
Eureka Old Town	10/12/04	06/30				X
North Main/Malone	11/19/04	12/31				X

(1) F/S audits for fiscal years 2006 and 2005 only.

(2) F/S audit for fiscal year 2006 only.

For the selected districts, we obtained requested information through communications with various TDD officials or representatives and municipal officials who have been involved with district activities. In addition, we reviewed such information and performed audit work, if determined necessary, on TDD records at TDD/representatives' offices.

The objectives of our review of the selected TDDs were to 1) determine and report information including, but not limited to: the establishment of the applicable districts and taxes imposed, the transportation projects of the district and related costs, how the transportation projects were financed, whether periodic financial audits are conducted, and the extent of any independent financial oversight; 2) report the results of audit work performed on the selected TDDs in the following areas, including but not limited to: internal controls, cash, revenues, expenditures, the bidding of construction work and related contracts, and the solicitation of proposals for professional services; 3) determine compliance with certain statutory requirements; and 4) report the selected TDDs' financial data. If independent audits were performed of a selected TDD, the supporting working papers were reviewed, and any additional audit procedures were performed as considered necessary.

A Schedule of Receipts, Disbursements, and Cash Balances for the 9 selected districts is presented in Appendix D. The financial information presented on this appendix reflects the financial activity and balances of the selected TDDs during the applicable years; however, it does not reflect any project-related costs incurred by the developers that had not yet been reimbursed by the applicable districts. In some cases, those unreimbursed developer-incurred costs are substantial. A summary of audit findings reported by various independent auditors (of the 4 applicable selected districts) is presented in Appendix E.

Limitations

Some data presented in Appendixes A, B, and D was compiled from survey information submitted by officials/representatives of the various TDDs and the annual financial or audit reports submitted by those districts. This information was not verified for accuracy by us. If any information presented in Appendixes A and B of the prior report was found to have changed since the previous audit, that information was updated on the current appendixes to the extent those changes were noted by us or brought to our attention. The financial data presented in Appendix D is presented as classified by the districts or the districts' independent auditors, if applicable; therefore, some disbursements may be classified in an inconsistent manner. The comments included in Appendix E were extracted from the independent auditors' reports (i.e. non-compliance required to be reported under generally accepted government auditing standards (GAGAS)) or management letters (i.e. internal control weaknesses not required to be reported under GAGAS). These comments were not verified by us through additional audit procedures for accuracy, validity, or completeness.

OBSERVATIONS AND RESULTS

TRANSPORTATION DEVELOPMENT DISTRICTS OBSERVATIONS AND RESULTS

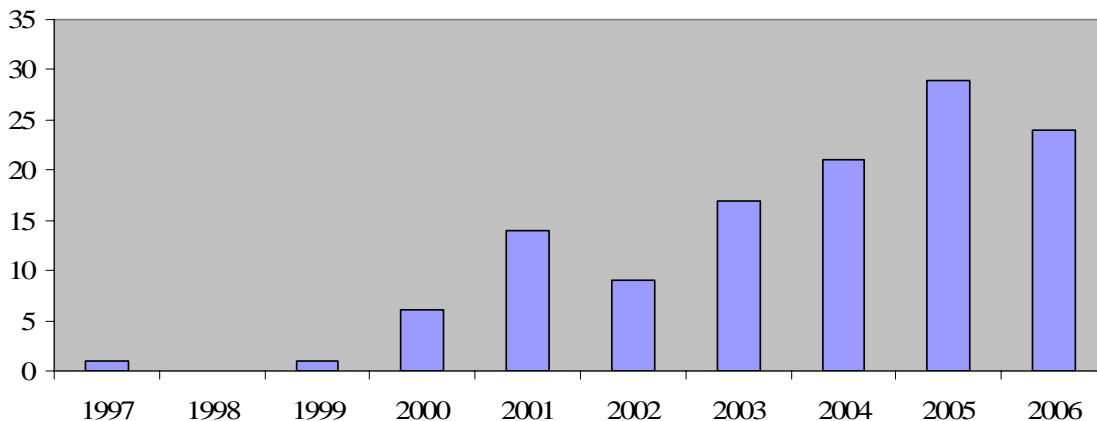
Background

As of December 31, 2006, 122 transportation development districts (TDDs) had been established in the state of Missouri, including 24 TDDs which were established in 2006. Almost 70 percent of the districts have been established in the state's two biggest metropolitan areas, with 57 and 26 of the TDDs being located in the St. Louis and Kansas City metropolitan areas¹, respectively.

As noted in our previous reports, even though the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of statutory changes the General Assembly made that year. In those legislative changes, the General Assembly established another method of creating a TDD, allowing the owners of the real property located within the proposed district to petition for its creation, if there were no registered voters residing within the district. Previously, a petition to establish a TDD could only be filed by not less than 50 registered voters residing within the proposed district or by a local transportation authority.

This statutory change has resulted in a dramatic increase in the number of TDDs established, particularly in recent years, as shown in the following graph.

Number of TDDs Established by Year



Of the 122 TDDs established as of December 31, 2006, 117 (or 96 percent) were initiated by a petition filed by the property owners. It should be noted that the rate of growth of newly-established TDDs declined in 2007, with only 13 additional TDDs being established during 2007 (according to MoDOT's records). All 13 of these TDDs were established prior to June 2007. While we were unable to determine all the factors that might have resulted in fewer TDDs being

¹ The St. Louis metropolitan area is defined here as the geographic area that includes the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The Kansas City metropolitan area is defined here as the geographic area that includes Jackson County, Platte County, Clay County and Cass County.

established in 2007, some legislative changes which became effective August 28, 2007, may have contributed to this decline.

In a survey of the 122 TDDs established as of December 31, 2006, officials/representatives of the TDDs reported total estimated transportation project costs of over \$1.19 billion. In addition, those officials/representatives reported that total estimated revenues of over \$1.45 billion would be collected over the lives of the respective TDDs. Estimated project costs and anticipated revenue information were not reported for some of the TDDs that have been established because that information had not been determined or could not be located. In one instance, the TDD was abolished before estimated transportation project costs and revenues were determined.

The total estimated project costs and anticipated revenue amounts provided by the various TDDs are presented in Appendix B. It appears that interest costs on TDD debt and administrative expenses of various districts would account for the difference when total estimated project costs are exceeded by total anticipated revenues. In other instances where total estimated project costs exceed total anticipated revenues, TDD sales tax revenues are most likely being used to pay a portion of the total project costs, with the remaining project costs being funded from other revenue sources (i.e. private financing, other government or TIF funding, etc.).

The table below breaks down the total estimated project costs and anticipated revenues of the 122 TDDs into various dollar ranges.

Dollar Range	Number of TDDs	
	Estimated Transportation Project Costs	Expected Revenues
\$0 to \$1million	18	12
\$1 million to \$5 million	48	31
\$5 million to \$10 million	17	24
\$10 million to \$15 million	15	11
\$15 million to \$35 million	16	21
More than \$35 million	5	8
Not reported	3	15

In our survey, the TDD officials/representatives reported the number of years their respective districts expected to collect revenue (i.e. sales taxes, etc.), which should correlate with the expected life of the districts. Based on this information, the expected lives of the 122 TDDs will range from 5 to 40 years. All but one of the districts established as of December 31, 2006, have imposed a sales tax, with rates ranging from one-eighth of one percent (1/8 %) to one percent on retail items sold within the respective districts' boundaries (one district was dissolved in June 2008 prior to imposing a sales tax). As a result, all retail establishments located within a TDD charge a higher total sales tax than the retail establishments that lie outside the district's boundaries. Also, 9 of the 122 TDDs have imposed a special assessment or property tax in addition to a sales tax.

The boundaries of 48 (39 percent) of the TDDs established as of December 31, 2006, were located either completely or partially in a tax increment financing redevelopment (TIF) area. Pursuant to Section 99.845, RSMo, 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that particular TIF area. After the TIF portion of the TDD revenues are disbursed to the applicable city for deposit into a TIF account, the remaining portion is to be used by the TDD to fund its transportation project(s). However, as similarly noted in previous audits, in some instances the applicable city has allowed the TDD to apply most, if not all, of its sale tax revenues to its own transportation project costs.

Previously Reported Public Awareness/Involvement, Accountability, and Compliance Issues

In our initial audit of TDDs (Report No. 2006-12, issued in March 2006), we reported various issues regarding TDDs in the areas of public awareness/involvement, accountability, and compliance as follows:

- There was no requirement for the public to be notified when a property owner(s)/developer filed a petition with the circuit court to form a TDD. In addition, public hearings regarding the establishment of TDDs were not required to be held.
- Neither registered voters nor their elected representatives were involved in the decision to levy taxes for most TDDs.
- The individuals/entities responsible for initiating the establishment of a TDD were not required to include the estimated transportation project costs or anticipated revenues to be collected in their petition to the circuit court.
- There was no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.
- It was not clear whether the construction of a TDD-funded transportation project(s) could be started prior to the legal establishment of the applicable TDD.
- Unlike most other sales tax revenues collected in the state, very few TDD sales taxes were administered by the Missouri Department of Revenue (DOR).² This situation provided less assurance these revenues were properly collected and accounted for and less ability to monitor the level of sales tax distributions to the TDDs.
- Many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.

² Sections 238.235 and 238.236, RSMo, provide that any sales taxes imposed by TDDs, except for those districts that consist of an entire county(ies) or city(ies), are to be collected by the districts themselves. The Department of Revenue is only responsible for administering the sales taxes of those TDDs that consist of an entire county(ies) or city(ies).

- The SAO was not notified when a TDD was established. In addition, current audit requirements related to TDDs needed to be reconsidered.
- Payment of project-related costs by the developer complicated the audit process and weakened accountability over those costs.
- The revenues of TDDs located in TIF areas were being handled in different manners, and in some instances there was not adequate assurance TDD sales tax revenues were only used to pay the TDD's share of bond financing costs.

Because many of these issues required legislative change to address the matters reported, we recommended the General Assembly review these issues and work with MoDOT, the SAO, and other governmental entities to make necessary revisions to the TDD-related statutes. As noted in our previous report on TDDs (SAO Report No. 2007-28, issued in July 2007), during the 2007 legislative session, the only change made to the TDD statutes that addressed any of the issues reported in the initial TDD audit was to add language which required that a petition filed to establish a TDD must include the estimated project costs and the anticipated revenues to be collected.

During the 2008 session, additional TDD legislation (Senate Bill 1201) was introduced which would have addressed several concerns noted above. For example, the proposed bill, if passed, would have required: public notification of all petitions filed by property owners, a public hearing be held prior to the creation of a district, the applicable transportation authority to review and approve all expenditures of districts formed by property owners, and the DOR to perform all functions related to the administration and collection of future districts' sales taxes. This proposed legislation did not pass during the most recently-completed legislative session.

While the unaddressed issues and our recommendation to the General Assembly have not been repeated in the current report, further changes to the TDD statutes should be considered in future legislation.

Current Audit Results

Our current audit disclosed various issues regarding the 9 selected TDDs in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters as presented below. This section summarizes the results of the audit work performed related to those selected districts. Some of the problems reported were similarly noted during our review of other selected districts in the previous TDD audit. In addition, the Financial Reporting issue updates a problem reported in the previous two TDD audits.

1. Construction Contracts and Project Management

Various concerns were noted related to construction contracts and/or project management services involving transportation projects.

For 5 districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be verified based on the circumstances and/or the available records.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 involving a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. While the developer hired the construction contractor in some of the instances noted, since TDD monies paid the costs of this construction, the procurement of the contractor or subcontractor(s) through a competitive bid process would have been advisable or appropriate in such instances.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids received and reasons noted why a bid was selected.

In addition, for 2 districts, proposals were not solicited for project management services because the developer or city contracted for these services prior to the establishment of the district. In 1 of these 2 instances, the project manager was a related party. In another district, the only proposal received for the project management services was from a related party.

Soliciting proposals for such services helps provide a range of possible choices and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider at the lowest and best cost.

Some of the exceptions noted above related to the same TDDs.

2. Professional Services

It is a common practice for substantial costs to be incurred related to TDDs prior to the formal establishment of the district, particularly costs related to professional services provided by engineers and legal counsel. Requests for proposals (RFPs) for such professional services were not properly solicited (or we were unable to assure ourselves of this) for 7 districts. If the costs of the professional services are to be subsequently paid or reimbursed to the developer, such services should be solicited and selected through a competitive proposal process.

Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration.

3. Budgetary Matters

Various problems were noted related to the annual budgets of 5 districts, including:

- Budgets were not prepared (2 districts).
- The budget was not approved in a timely manner (1 district).
- The budget did not include beginning and projected ending fund balances (1 district).
- The budget was overspent in some years (1 district).

Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets. Those sections require each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, the beginning available resources, and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message and a budget summary.

In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budget reduces the effectiveness of this process. To be of maximum benefit, the district budget should be adopted prior to the beginning of the fiscal year.

4. Financial Reporting

As similarly noted in our previous reports, many of the TDDs had not filed annual financial reports with the SAO, as required.

As of December 31, 2007, we identified 29 of 122 TDDs (23 percent) that had not filed one or more annual financial reports with the SAO, as statutorily required. Section 105.145, RSMo, requires that all political subdivisions file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year-end, while an audit report can be filed within 6 months of the entity's fiscal year-end.

The following table presents the 29 TDDs that had financial activity, but did not file a financial report with the SAO by December 31, 2007, for fiscal years 2006 or 2005.

TDD Name	Date Established	Fiscal Year-End	FY 06	FY 05
Kenilworth	08/15/00	12/31	X	
Ballwin Town Center	04/26/01	12/31	X	X
Country Club Plaza of Kansas City	07/12/01	12/31	X	
Interstate Plaza/North Town Village	11/06/01	12/31		X
St. John Crossings	06/25/02	12/31	X	
Boscherts Landing	05/16/03	12/31	X	X
Lee's Summit New Longview	07/31/03	12/31	X	
Prewitt Point	08/22/03	12/31	X	
Belton Town Centre	11/17/03	12/31	X	
71 Highway & 150 Highway	11/20/03	12/31	X	X
Hutchings Farm Plaza	03/04/04	12/31	X	X
Mexico Road	04/08/04	12/31	X	
Southtown	04/12/04	12/31	X	
Francis Place	04/13/04	12/31	X	
Eureka Commercial Park	05/10/04	06/30	X	
Megan Shoppes	06/07/04	12/31		X
Folk Avenue South	07/14/04	06/30	X	
Hyannis Port Road	07/16/04	12/31		X
Stadium Corridor	10/04/04	12/31		X
Chesterfield Commons	10/12/04	12/31	X	
North Main/Malone	11/19/04	12/31	X	
Farris Family	02/17/05	12/31	X	X
Wentzville II	03/07/05	12/31	X	
Kingsmill	05/05/05	12/31	X	
Northwoods	07/22/05	12/31	X	
1717 Market Place	11/25/05	12/31	X	
Chesterfield Valley	11/28/05	12/31	X	
University Place	06/06/06	12/31	X	
620 Market	09/06/06	12/31	X	

There were also 32 other TDDs that had not filed a report(s) through fiscal year 2006 because no financial activity had occurred. In such situations, a TDD should notify the SAO that it had no financial activity.

As of March 31, 2008, only 6 of the TDDs noted in the table above had provided 2006 and/or 2005 financial reports to the SAO. The 71 Highway & 150 Highway, and Farris Family TDDs have never provided an annual financial report to the SAO. The TDDs should make every effort to ensure the required annual financial reports/audits are filed by the time frames specified in 15 CSR 40-3.030. The timely filing of financial reports was found to be a problem in 4 of the selected districts reviewed.

The state regulation also provides that an audit report submitted to satisfy the financial reporting requirements of Section 105.145, RSMo, should be prepared in conformity with generally accepted government auditing standards (GAGAS). Of the 20 districts included in the scope of our review, it was noted that 7 of the districts had received independent financial audits. One of those audits (for fiscal year 2005) was conducted in accordance with generally accepted auditing standards (GAAS) rather than GAGAS. To fully comply with 15 CSR 40-3.030 reporting requirements, financial audits submitted in lieu of annual financial reports should be conducted in accordance with GAGAS.

In addition, the financial reports submitted by the TDDs should accurately reflect all financial activity of the district during that year, including any loans or debt activity.

5. Other Matters

Related Party Transactions. As noted in 1. above, in some instances the developers have participated in the transportation projects' construction as project managers.

Such transactions could represent conflicts or the appearance of conflicts, could compromise the TDDs' financial interests, and should be avoided. If these situations cannot be avoided, discussions and decisions concerning situations where potential conflicts exist should be completely documented so that the public has assurance that no district official has benefited improperly.

Project Completion and Financial Condition. In 1 district, substantial progress had not been made as of early 2008 in the completion of the district's transportation projects, even though the district issued revenue bonds in 2005 to finance the projects, and the retailers in that district have been charging a sales tax on all purchases since June 2005. Further, the costs now projected to complete the projects are significantly higher than the original estimated project costs.

In another district, the revenues of the district may not be sufficient to meet the financial obligations/debt of the district or fully reimburse the developer for transportation-related costs incurred.

Reimbursement of Transportation Project Costs. Various matters were noted related to transportation project costs claimed for reimbursement by the developers. In 5 districts, adequate documentation to support the project costs incurred had not been provided. Two of these instances involved support for the purchase of land and/or right-of-way. For 2 districts, project costs could not be specifically identified. Detailed invoices supporting the project costs were not available because the district's projects were combined with costs of the private or public development projects. As a result of this situation, the appropriateness of the costs incurred and reimbursements paid to some developers could not be verified.

All project costs should be supported by adequate documentation to ensure the obligation was actually incurred and the expenditures represent appropriate uses of district funds.

Open Meetings Law. In 1 district, notices of board meetings, along with the tentative agendas, have not been posted, and minutes of the meetings have not been prepared and maintained.

Section 610.020, RSMo, requires that any meetings of a public governmental body be posted (along with the tentative agendas) and requires the preparation of minutes documenting any actions taken or decisions made.

Sales Tax Collections. In 1 district, customers of the major retailer within the district were incorrectly charged sales tax for three months prior to the sales tax becoming effective, resulting in an overpayment of sales taxes by the retailer to the district of approximately \$96,000 for this time period.

TDDs should work closely with the retailers in the district to ensure the district's sales tax is charged at the correct amount and begins on the effective date of the sales tax.

In responding to the matters noted above, some TDDs pointed out there is no state law which requires that proposals be solicited in the procurement of professional services. In addition, some of the applicable TDDs acknowledged their annual budgets were not approved timely and that annual financial reports were not submitted to the SAO on a timely basis, as required. Officials/representatives of 2 TDDs did not provide a formal response.

Audits of Selected Districts

The following section reports information related to the 9 individual TDDs that were selected for review. The selected districts represent TDDs that were established in 2004, and had not previously been audited by the SAO. The selected districts are presented in the order of date established. This information was shared with each applicable selected district and includes a response from the district, if one was provided. A Schedule of Receipts, Disbursements, and Cash Balances for the selected districts is located at Appendix D.

- **Brentwood/Strassner Road TDD**

The Brentwood/Strassner Road TDD was organized in February 2004, after petition by the city of Brentwood and St. Louis County and approval of the registered voters within the district. The TDD's Board of Directors and officers include representatives of the city, county, Metro (the owner/operator of the St. Louis metropolitan region's public transportation system), and a registered voter.

The qualified voter(s) of the district, in this case the registered voters, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective July 2004. The sales tax is currently expected to remain in effect for 11 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Brentwood.

The TDD is located in the city of Brentwood, in St. Louis County. The district is primarily bounded by South Brentwood Boulevard to the west, South Hanley Road to the east, Manchester Road to the south, and Eager Road to the north. The TDD encompasses various developments, including Brentwood Square and Brentwood Promenade, that include retail, grocery, department store and banking establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2004, 2005, and 2006.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$8.4 million:

- Design and construction of a new MetroLink bridge, the "Strassner Road Bridge" (in accordance with plans approved by the Bi-State Development Agency, the former agency name of Metro).
- Acquisition, design, and construction of the "Strassner Road Extension".
- Design and construction of improvements to Eager Road or other arterial county roads within or adjacent to and benefiting the district.
- Relocation within the city of its public works facility.
- Acquisition, design, and construction of a pedestrian trail system.
- Design and construction of improvements to Wrenwood Lane.
- Other similar or related infrastructure or improvement and incidental right-of-way.

In addition, if funds were available, the district was to fund the design and construction of a new MetroLink station. However, the MetroLink station and Eager Road improvement projects were not performed by the district.

The city of Brentwood, St. Louis County, Metro and MoDOT are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

Because the district is partially located within two different TIF areas, 50 percent of the sales taxes collected from retailers in the TIF areas has been paid to the city of Brentwood for deposit to the accounts relating to the TIF projects.

The district issued approximately \$9.85 million in tax-exempt revenue bonds in June 2004 to finance the cost of the projects.

The city of Brentwood, St. Louis County, Metro, and MoDOT were responsible for overseeing the projects' construction, while the district's funds have been administered by a bank trustee.

During our audit work related to this TDD, we noted the following additional matter:

- The district did not solicit RFPs for the professional services provided by the project engineers and legal counsel.

On June 15, 2004, the district approved the selection of the project engineers because they were already under contract or previously engaged by the city to perform work in the general area and it was believed their selection would be the most cost-effective. In addition, according to district officials, the TDD used the legal counsel based on its long-standing relationship with the city, county and Metro. Based on the firm's knowledge and background of the project, its selection was also deemed the most cost-effective.

Information regarding the costs incurred related to these engineering and legal services was not readily available.

Brentwood/Strassner Road TDD's Response:

Missouri law does not require a TDD to solicit proposals for professional services. It is common practice for political subdivisions to retain these services without a competitive bidding process. As stated in the report, the TDD selected the project engineers and legal counsel based on their knowledge and background of the project and the belief that their selection would be the most cost effective and in the best interests of the TDD's constituents.

- **Mexico Road TDD**

The Mexico Road TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the property owner/developer and a representative of the city of O'Fallon.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective May 2005. The sales tax is currently expected to remain in effect for 40 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of O'Fallon.

The TDD is located in the city of O'Fallon, in St. Charles County, at the intersection of Highway K and Mexico Road. The development includes a retail establishment and restaurants. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$3.3 million:

- Purchase of property and acquisition of right-of-way.
- Construction of public roads within the district, including a connector road between Highway K and existing city land adjacent to Mexico Road.
- Existing structure demolition and related abatement, re-engineering of an existing portion of a detention basin, and accompanying earthwork, grading, site work, drainage, pavement, curb, gutters, sidewalk, storm water facilities, structures, signing, lighting, and traffic signals.

The city of O'Fallon and MoDOT are the public entities with jurisdiction over these projects, and these entities accepted dedication of the completed projects.

The developer initially paid the costs of the TDD projects. The developer has not yet been reimbursed for all the costs incurred, but the district has issued this corporation revenue notes totaling \$3.39 million for repayment of project costs. Three series of notes were issued. Note A was issued for direct transportation project costs of approximately \$2.19 million, while Notes B and C were issued for the purchase of property and acquisition of right-of-way at a total cost of \$1.2 million. Under the agreement, Notes B and C are subordinate to Note A and no payment shall be made on Notes B and C until Note A is fully liquidated.

The city of O'Fallon and MoDOT were responsible for overseeing the projects' construction. In addition, the project manager and engineer oversaw the projects' construction and the review and approval of contractor invoices. Prior to the signing of the intergovernmental cooperative agreement in April 2006, the developer paid all TDD expenses; however, the city has since assumed this responsibility.

During our audit work related to this TDD, we noted the following additional matters:

- Progress invoices submitted to the owner/developer by the general contractor, project engineer, and legal counsel included both the district's transportation project costs and the owner/developer's additional development costs. The total combined costs were approximately \$4.1 million. Neither the district nor the owner/developer was separately invoiced for the transportation project portion of these costs.

In July 2005, the owner/developer submitted a certificate of completion, accompanied by a certificate of substantial completion executed by the project engineer. These documents certified that construction, engineering and legal costs totaling approximately \$2.1 million were reasonable and necessary in connection with the applicable transportation projects.

- The district's general contractor was not solicited through a competitive bidding process. The general contractor was selected by the owner/developer prior to the establishment of the district.

According to district officials, the owner/developer had a prior business relationship with this company, having used this contractor's services previously on several other projects. However, the owner/developer required the general contractor to bid all subcontracted projects. Total construction costs of \$1.8 million were paid to the general contractor related to the TDD's transportation projects.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit RFPs for the professional services provided by the project manager, project engineers, and legal counsel.

The owner/developer served and was compensated as project manager to oversee the completion of the proposed projects, including those of the TDD. In accordance with the development agreement signed with the city in November 2002, the project manager was to receive a fee of 4 percent of the total TDD costs, not including the cost of right-of-way acquisition. The project manager's fee for these services totaled approximately \$82,000.

The firms providing the engineering and legal services were selected by the owner/developer or city prior to the establishment of the district. Approximately \$73,000 and \$125,000 was expended for these services, respectively, during the course of the projects. Legal services were billed at rates ranging from \$138 to \$300 per hour for paralegal and attorney services, with most of the legal services being billed at a rate of \$250 per hour.

- The district's 2006 budget did not include some necessary information, including beginning available resources and reasonable estimates of the ending fund balance(s). Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.
- The district did not submit an annual financial report to the SAO for 2006. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the SAO as required.

Mexico Road TDD's Response:

Invoicing of project costs. The transportation project costs were bid and constructed as part of a larger project which resulted in construction efficiency and better pricing to the

District. The general contractor and project engineer calculated and certified as to the appropriateness of the costs applicable to the District. Legal counsel provided invoices noting detail and costs of services provided which allowed easy identification of legal services specifically provided to the District.

General contractor services. The transportation project costs were bid and constructed as part of a larger project which resulted in construction efficiency and better pricing to the District. As noted in the report, the Owner/Developer required the general contractor to bid all subcontracted projects, which were approximately 90 percent of the project costs. The District believes that had it solicited proposals for a general contractor, no other responsible bidder could have reasonably provided the same quality service at a reasonable fee.

Professional services. There is no requirement under Missouri law that the District solicit proposals for professional services. Per the Development Agreement, the Developer/Owner was to provide project management services for a 4 percent fee. Market fees for these services for a project of this size were 4 - 5 percent. Also, the Developer/Owner provided these services as part of a larger project, allowing for better pricing and service to the District. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would most likely have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District acknowledges, however, that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the best and lowest cost.

Budgets. The District acknowledges that this information was not included on the 2006 budget. It has been included on subsequent budgets.

Financial reports. The District acknowledges that the 2006 annual financial report was not filed within four months of our year-end; although, the report has subsequently been filed. The 2007 annual financial report was filed in a timely manner.

- **Southtown TDD**

The Southtown TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include various employees of the developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective October 2005. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district.

The TDD is located in the city of St. Louis, at the northeast corner of Kingshighway Boulevard and Chippewa Avenue. The Southtown Center development includes a retail shopping center. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of constructing a 468 car parking lot at Kingshighway Boulevard and Chippewa Avenue with a total estimated cost of approximately \$1.2 million.

The city of St. Louis is the public entity with jurisdiction over the project, but will not accept dedication of the completed project until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area; therefore, the city of St. Louis has received 50 percent of the sales taxes collected for purposes of the TIF. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse all the remaining TDD sales tax revenues, less administrative costs, to the city for use in paying debt service on the TDD-portion of the TIF bonds until they are retired.

The developer funded the initial costs of the development, including the transportation project costs, prior to the city of St. Louis issuing \$7.5 million in TIF notes in March 2005. In November 2006, the Industrial Development Authority (IDA), an entity given development authority within the city of St. Louis, issued \$6.4 million in TIF refunding bonds and \$2.3 million in subordinate TIF notes, refunding the earlier TIF note issuance. These new TIF notes will be subordinate to the revenue bond issue. In addition, pursuant to the formal agreement, the district's revenue limit is set at approximately 13.7 percent of the TIF debt service costs (or approximately \$1.2 million).

The city of St. Louis was responsible for overseeing the project's construction and reviewing and approving the development costs, including the TDD-related costs. The district is responsible for reviewing and approving administrative expenses.

During our audit work related to this TDD, we noted the following additional matters:

- Documentation of bids solicited and/or the contractor selection process supporting approximately \$980,000 of construction costs (the portion of the costs allocated to the transportation project) was not received and maintained by the records custodian or made available to us. In addition, while the district certified these costs in June 2005, the construction invoices were not available for our review. As a result of this situation, proper handling of the bidding process and reimbursement of construction expenditures could not be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not prepare and adopt budgets for either of the years ended December 31, 2006 or 2005, as required by Section 67.010, RSMo.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful tool by establishing specific cost expectations for each area and provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

- The district did not submit an annual financial report to the SAO for 2006. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the SAO as required.

The Southtown TDD did not provide a formal response.

- **Francis Place TDD**

The Francis Place TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives and employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective December 2004. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Richmond Heights.

The TDD is located in the city of Richmond Heights, in St. Louis County, one-half mile north of the Highway 64/40 and Brentwood Boulevard intersection. The Boulevard – St. Louis development is a mixed use development that includes retail, restaurant and service establishments in addition to apartment units. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing transportation-related improvements within the development's four project areas at a total cost of approximately \$8 million. Improvements include, but were not limited to, all land acquisitions, site demolition, environmental abatement, striping, clearing, earthwork, storm sewer construction, concrete and asphalt construction, electrical work, landscaping, signalization, roadwork and utility work.

The Phase 1 project was completed at a cost of \$4.2 million. Demolition was expected to begin on Phase 2 in the spring of 2008, preliminary approval has been granted for Phase 3, and demolition began on Phase 4 in February 2008.

The city of Richmond Heights is the public entity with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area; therefore, the city of Richmond Heights has received 50 percent of the sales taxes collected for purposes of the TIF. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse all the remaining TDD sales tax revenues, less administrative and initial start-up costs (\$2,500), to the city to pay debt service on the TDD-portion of the TIF bonds until they are retired.

The developer funded the costs of the Phase 1 transportation projects prior to the city of Richmond Heights issuing \$16.4 million in TIF/TDD revenue notes in April 2004. In April 2005, the city issued \$18.64 million in TIF/TDD refunding and improvement revenue bonds (\$19 million was authorized), refunding the earlier TIF note issuance and funding an additional \$1.2 million in projects. In addition, pursuant to the formal agreement, the district's revenue limit is set at 29.75 percent of the TIF debt authorization (or approximately \$5.65 million).

The city of Richmond Heights and St. Louis County were responsible for overseeing the Phase 1 project's construction. In addition, the city of Richmond Heights provided some independent financial oversight as the city was responsible for reviewing and approving developer reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit RFPs for the professional services provided by the project engineers and legal counsel. These services were selected by the developer prior to the establishment of the district.

According to district officials, the developer uses traffic engineering services from the same firm on all of their projects, as they are a very reputable firm. Approximately \$215,600 was expended for civil and traffic engineering services during the course of the project.

District officials also indicated they were influenced in their selection of district legal counsel in December 2004, because the developer had already been receiving services from this firm related to the TIF. Approximately \$36,900 was expended for legal services through 2006, with the district being billed at rates ranging from \$45 to \$385 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$200 and \$290 per hour.

- The district did not submit its 2006 annual financial report to the SAO in a timely manner. The district submitted its 2006 financial report in February 2008, at the same time the 2007 report was submitted.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Francis Place TDD's Response:

Professional services. *There is no requirement under Missouri law that the District solicit proposals for professional services. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would most likely have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District also believes that had it solicited proposals, no other responsible bidder could have provided the same level of quality service for less cost. The District acknowledges, however, that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the best and lowest cost.*

Financial reports. *The District acknowledges it did not submit the 2006 report on a timely basis. Subsequent reports have been on a timely basis.*

- **Poplar Bluff Conference Center TDD**

The Poplar Bluff Conference Center TDD was organized in May 2004 by petition of the owner/developer of the property within the proposed district. The TDD's Board of Directors and officers include various employees and representatives of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective February 2005. The sales tax is currently expected to remain in effect for 40 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the owner/developer, who accounts for these revenues.

The TDD is located in the city of Poplar Bluff, in Butler County, at 2781 North Westwood Boulevard. The development includes a hotel, conference center, and restaurant. The TDD has a fiscal year end of December 31. The TDD has elected not to

have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of constructing a parking lot and related infrastructure at a total estimated cost of approximately \$2.3 million, of which over \$1.6 million represented property acquisition costs which were allocated to the transportation project.

The city of Poplar Bluff is the public entity with jurisdiction over these projects and accepted dedication of the completed projects.

The developer funded the initial costs of the projects. In May 2005, the district obtained a bank loan in the amount of \$805,291, to partially reimburse the developer for costs incurred. According to district representatives, this amount represented the maximum amount the bank would loan the district at that time.

The city of Poplar Bluff was responsible for overseeing the projects construction, reviewing and approving the construction plans, and performing inspections. The developer and its employees administer the district's funds and approve payments.

During our audit work related to this TDD, we noted the following additional matters:

- The revenues generated by the TDD may not be adequate in the short term to meet the current financial obligations/debt of the district. Initial revenue projections prepared for the district estimated sales taxes to be generated by the development's hotel/conference center and restaurant would be approximately \$55,000 annually; however, sales tax collections are currently approximately half of the amount projected. In addition, in May 2007, the district accepted approximately \$33,000 in cash contributions from the developer and associates to meet its financial obligations (i.e. interest payment on loan).
- The combined construction costs related to the development and the transportation project totaled approximately \$8.3 million, with approximately \$570,000 of these costs being related to the transportation project (the parking lot). According to district officials, the construction contracts, which included both the development and the district's project costs, were competitively bid; however, documentation of the bids obtained and the contractor selection process was not maintained by the district. In addition, the invoices submitted to the owner/developer by the construction contractors did not separately identify the construction costs related to the transportation project.

As a result of this situation, neither the proper handling of the bidding of the construction contracts nor the construction-related costs charged to the transportation project could be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district is not in compliance with the Open Meetings Law. Notices of the district's board meetings, along with the tentative agenda, have not been posted, and minutes of the meetings have not been prepared and maintained.

Section 610.020, RSMo, requires that any meetings of a public governmental body be posted (along with the tentative agendas) and requires the preparation of minutes documenting any actions taken or decisions made.

- The district did not prepare and adopt budgets for either of the years ended December 31, 2006 or 2005, as required by Section 67.010, RSMo.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful tool by establishing specific cost expectations for each area and provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

- The district's financial statement for the year ended December 31, 2006, was not complete and accurate. The financial statement did not include a summary of cash disbursements or the cash balance at the end of the fiscal year. In addition, the amount presented for cash receipts was not accurate. The TDD should ensure financial information submitted to the SAO in accordance with Section 105.145, RSMo, is accurate and complete.

Poplar Bluff Conference Center TDD's Response:

We are in the process of making the changes that were noted in the report.

- **Hanley Road and North of Folk Avenue TDD**

The Hanley Road and North of Folk Avenue TDD was organized in May 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include various employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 2004. The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Maplewood.

The TDD is located in the city of Maplewood, in St. Louis County, northeast of the intersection of Hanley Road and Folk Avenue. The Maplewood Commons development

includes large retail establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2006 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$13.4 million:

- Widening of southbound Hanley Road and construction of a new northbound Hanley Road, including construction of two new signals, the modification of the existing un-signalized entrance to Folk Avenue and the acquisition/abandonment of right-of-way.
- Widening of West Bruno Avenue, including the construction of two new un-signalized entrances into the development.
- Construct a new north-south road (Maplewood Commons Drive) connecting Folk Avenue to West Bruno Avenue. As part of this new road, a direct connection to Hanley Road was to be constructed (Corcoran Drive).

The city of Maplewood and St. Louis County are the public entities with jurisdiction over these projects, but these entities will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The developer funded the costs of the transportation projects prior to the district issuing \$13.8 million in revenue bonds in June 2005 and a \$1 million subordinate promissory note payable during that year. After the district's debt was issued, the developer was reimbursed.

The city of Maplewood and St. Louis County were responsible for overseeing the projects' construction, while the city of Maplewood provided some independent financial oversight by reviewing and approving project costs.

During our audit work related to this TDD, we noted the following additional matters:

- According to a district representative, construction contract(s) included in \$4.8 million of transportation project costs were bid; however, documentation of the bids and contractor selection process was not received and maintained by the records custodian or made available to us. In addition, the district certified these costs and \$7.6 million in property acquisition costs in June 2005; however, the construction invoices and documentation supporting the property acquisitions (over 300 homes were purchased) were not maintained by the records custodian or made available for our review. Therefore, the proper handling of the bidding process, reimbursement of construction expenditures, and property acquisitions could not be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit RFPs for the professional services provided by its legal counsel. The legal counsel was selected by the developer prior to the establishment of the district, based on its prior and continuing association with the developer. In June 2005, the district board certified approximately \$10,200 had been spent on legal services.
- The district overspent its budget in 2006 and 2005. The 2006 overspending was the result of the district retiring more district debt than originally budgeted; however, a formal budget amendment was not approved authorizing the additional expenditures in either year. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

Hanley Road and North of Folk Avenue TDD did not provide a formal response.

- **Folk Avenue South TDD**

The Folk Avenue South TDD was organized in July 2004 by petition of the owners/developers of property within the proposed district. The TDD's Board of Directors and officers include representatives of the owners/developers and a representative of the city of Maplewood.

The qualified voter(s) of the district, in this case the property owners/developers, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 2005. The sales tax is currently expected to remain in effect for 26 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Maplewood.

The TDD is located in the city of Maplewood, in St. Louis County, southeast of the intersection of Hanley Road and Folk Avenue. The Maplewood Commons development includes retail and restaurant establishments. The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2006 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an, estimated cost of approximately \$6.7 million.

- Improvements to Folk Avenue, including construction of a right-out only lane at Hanley Road.
- Improvements to Hanley Road, including relocation and widening of Hanley Road from four lanes to six, plus two additional dedicated turn lanes.

- The construction of an entrance drive (Bernard Drive) off Hanley Road to provide better access to the district.
- Improvements to Laclede Station Road, including grading and paving.
- Improvements related to vehicular access and traffic flow, including construction of roads within the district.
- Construction of a bridge over Hanley Road that is to be incorporated into the MetroLink light rail public transportation system (in accordance with plans approved by the Bi-State Development Agency, the former agency name of Metro).

The city of Maplewood, St. Louis County, and Metro were the public entities with jurisdiction over these projects. The city will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area, thus, the city of Maplewood could claim 50 percent of the sales tax collected for purposes of the TIF. However, per formal agreement, the city has agreed to allow 90 percent of the TIF portion of the TDD sales tax to be applied to the district's debt service costs. The remaining 10 percent of the TIF portion of the TDD sales tax is retained by the city.

The developers funded the costs of the transportation projects prior to the district issuing \$6.4 million in revenue bonds and \$1.4 million subordinate revenue notes in February 2005. After the district's debt was issued, the developers were reimbursed.

The city of Maplewood, St. Louis County and Metro were responsible for overseeing the projects' construction while the bank trustee reviewed and approved construction invoices for payment.

During our audit work related to this TDD, we noted the following additional matters:

- Prior to the establishment of the TDD, the developer hired a general contractor/construction manager to oversee and manage the construction of the new development and the related transportation projects. According to the developer's legal counsel, certain portions of the construction work were competitively bid; however, documentation of these bids was not maintained by the custodian of records or made available to us. In addition, the construction management services costing approximately \$63,000 were performed based upon a negotiated fee.

Transportation site development costs, not including the cost of the MetroLink bridge project, totaled approximately \$1.8 million. The developer's legal counsel indicated a number of the contractors/subcontractors used were the same companies who performed work on the developer's other nearby development

project (see our discussion of the Hanley Road & North of Folk Avenue TDD). Often, contract amounts were determined by using the same unit pricing that had been used for that development project.

Because of the lack of bidding documentation noted above, the proper handling of the bidding process related to these construction expenditures could not be verified. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- According to the developer's legal counsel, approximately 55 parcels were acquired for the redevelopment area with a portion of the cost being allocated to the TDD; however, a detailed listing and other documentation supporting the land purchases were not maintained by the custodian of records or made available to us.

The related land acquisition costs totaled approximately \$19.7 million. In February 2005, an independent engineering firm reviewed and certified the land purchases, determining 10 percent of the total cost (\$1.97 million) should be allocated to the TDD based on square footage associated with the TDD area.

Because of the lack of available records, the proper handling of the land acquisition process could not be verified.

- The district did not solicit RFPs for the professional services provided by its project engineers or legal counsel. These services were selected by the developer prior to the establishment of the district.

The developer's legal counsel indicated it is the practice of the developer to use service providers they have used on prior projects to provide the most efficient and cost-effective services, based on the providers' understanding of the developer's requirements.

Approximately \$260,500 and \$99,000 was expended for engineering and legal services, respectively, during the course of the projects. Most of the paralegal and attorney services billed the district were charged at rates between \$129 and \$259 per hour.

- The district did not submit its 2006 annual financial report to the SAO in a timely manner. The district submitted its 2006 audit report in January 2008.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four

months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Folk Avenue South TDD's Response:

Professional services. *There is no requirement under Missouri law that the district solicit proposals for professional services provided by engineers or legal counsel. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.*

Financial reports. *The district acknowledges that it did not submit its 2006 financial report to the State Auditor's Office in a timely manner. The District is committed to timely filing of financial reports with the State Auditor's Office in the future.*

- **Hawk Ridge TDD**

The Hawk Ridge TDD was organized in September 2004 by petition of the owners of property within the proposed district, including the developer, and the city of Lake St. Louis. The TDD's Board of Directors and officers include representatives of the owners/developer, various city officials, and a representative of the Economic Development Commission of St. Charles County.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a three-quarters of one percent (0.75%) sales tax on all transactions which are taxable within the boundaries of the district, effective April 1, 2006. The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to an administrator, the district's collection agent.

The TDD is located in the city of Lake St. Louis, in St. Charles County, southwest of the U.S. Highway 40 and Highway N interchange. The Shoppes at Hawk Ridge development includes retail, banking, restaurant, and service establishments. The TDD has a fiscal year end of June 30. Prior to 2007, the TDD elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$19.4 million:

- Widen relocated Highway N.
- Provide four travel lanes on Hawk Ridge Trail extension.

- Provide a three lane section on South Fox Hound Drive.
- Construct the Fox Hound Drive overpass.
- Modify Highway N and westbound Highway 40 ramps.
- Construct an extension of Highway N and Hawk Ridge Trail.
- Provide a turn lane at Highway N and Orf Road.
- Install traffic signals and add turn lanes at the intersections of Highway N and Sommers Road and Fox Hound Drive at Austin Lane.
- Provide a two lane loop ramp at Fox Hound Drive and Feise Road.
- Accompanying infrastructure or improvements.

The city of Lake St. Louis and MoDOT are the public entities with jurisdiction over these projects' construction and have accepted dedication of the completed projects.

The developer initially funded the costs of the projects prior to the district issuing approximately \$16.9 million in revenue bonds in December 2006. Through June 30, 2006, approximately \$10.1 million in costs had been certified for reimbursement from the bonds proceeds. In addition, by the end of 2006, an additional \$7.4 million in costs were certified for reimbursement and the projects were substantially complete.

The city of Lake St. Louis and MoDOT were responsible for overseeing the projects' construction, while the city's Public Works Department reviewed and approved contractor invoices prior to payment. Administration of the district's funds was handled by an administrator, the district's collection agent.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit RFPs for the professional services provided by its construction manager, project engineers, and administrator.

The construction manager was selected by the developer prior to the establishment of the district. According to district officials, "once the district was formed, selection of a different construction manager would have caused unnecessary delays and costs. Additionally, the developer advised the district that monies paid (to the construction manager) were based on actual overhead and costs incurred and did not contain any profit". Through fiscal year 2006, approximately \$20,000 in construction management costs (contract totaled \$225,000) had been certified for reimbursement.

The project engineers were also selected by the developer prior to the establishment of the district. Through fiscal year 2006, approximately \$430,000 in engineering costs had been certified for reimbursement.

In March 2006, the district approved administrative service and collection agreements with an administrator. Approximately \$15,000 in administrative expenses were paid through fiscal year 2006. In addition, this same firm provided consulting services at a cost of \$3,450 that were certified for reimbursement in 2006.

- The district's administrator discovered the district's largest retail establishment (Wal-Mart) charged the three-quarters of one percent sales tax on all of its retail sales for three months prior to the sales tax becoming effective in April 2006. This retail establishment inadvertently began imposing the tax on its customers when it opened in January 2006. This resulted in an overpayment of sales taxes by the retailer to the district of approximately \$96,000 for this time period.
- The district's 2006 budget was not approved in a timely manner. The district did not approve its 2006 budget until May 2006, after administrative expenses totaling approximately \$5,900 had already been incurred. Even though financial activity for this TDD did not start until relatively late in this fiscal year, the annual budget should be approved prior to expenditures being incurred. Sections 67.010 to 67.040, RSMo, include the provisions regarding annual budgets.

Hawk Ridge TDD's Response:

Professional services. Generally, there is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.

Sales tax imposed prior to effective date of tax levy. The district's administrator notified the retail establishment in question that it had the right to apply for a refund for the amount mistakenly collected and paid prior to the effective date of the tax. As of this date, the retail establishment has not sought a refund of the amount paid for the period of time prior to the effective date of the sales tax. The district is currently holding this amount in escrow and will continue to do so for the foreseeable future.

Budgets. The district acknowledges that it did not approve its 2006 budget in a timely manner. The District approved its 2007 and 2008 budgets prior to any expenditures being incurred in those fiscal years and has amended its bylaws to change the date for its annual meetings from September to June so that budgets can be approved in a timely manner in the future.

- **Olive Boulevard TDD**

The Olive Boulevard TDD was organized in September 2004 by petition of the property owners, one of which was the primary developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of this owner/developer, various city officials, and a representative of the various retailers within the district.

The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective June 2005. Additionally, the district has imposed a special assessment on all real property having an assessed valuation in excess of \$4 million as of December 31, 2004 (the primary developer's properties).

The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, which was initially the city of Creve Coeur. However, at the request of city staff, the district engaged an administrator to receive the sales taxes beginning in May 2008. The city collects the special assessments levied against the developer.

The TDD is located in the city of Creve Coeur, in St. Louis County, just east of the intersection of I-270 and Olive Boulevard. The TDD includes several plazas and other stand alone sites, such as hotel, banking, retail, restaurant, and service establishments (over 40 retail establishments in total). The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2007 and 2006.

The district was formed for the purpose of acquiring and constructing the following primary transportation projects with an initial total estimated cost of approximately \$4.5 million:

- Numerous improvements to Olive Boulevard including; widening and/or reconfiguration, sidewalks, streetlights, streetscape, electric line burial, pedestrian crossing and new traffic signals.
- Construction and/or extension of new roads serving the district.
- A portion of the cost of screening the Ameren UE substation.
- Installation of a new traffic signal and pedestrian crossing at New Ballas Road and Studt Avenue.
- Installation of streetlights along New Ballas Road.

- Other similar or related infrastructure or improvement and incidental right-of-way.

Additional transportation projects with an estimated cost of approximately \$700,000 were to be funded by the owner of the West Oak Shopping Center and its largest retailer (Dierbergs). In addition, projects were being funded by the developer as well.

As of March 2008, only limited progress has been made on the district's transportation projects, with much more work to be done.

The Missouri Department of Transportation (MoDOT), St. Louis County and the city of Creve Coeur are the public entities with jurisdiction over these projects and will accept dedication of the completed projects.

The district is partially located within a TIF area; therefore, the city of Creve Coeur has received 50 percent of the sales tax collected for purposes of the TIF. However, because there are only two office buildings currently located in the TIF area, the amount of TDD sales tax allocated to the TIF is relatively small (approximately \$4,600 in total from 2005 to 2007).

The primary developer and city of Creve Coeur funded the initial project costs, totaling approximately \$316,000 (i.e. engineering, architecture, legal, etc.), prior to the district issuing approximately \$5 million in sales tax and special assessment revenue bonds in June 2005. After the proceeds from the district's bonds were received, the developer was reimbursed for the costs incurred (the developer had already reimbursed the city). All subsequent costs of the projects and administrative-related costs have been paid from the bond proceeds. Project and other costs paid from the district's revenue bond proceeds and other revenues through March 2008 total approximately \$2.74 million.

MoDOT, St. Louis County, and the city of Creve Coeur are responsible for overseeing the projects' construction. In addition, the district's board, along with the assistance of its legal counsel and project manager (the developer), oversee the projects' construction and the review and approval of contractor invoices.

During our audit work related to this TDD, we noted the following additional matters:

- As of March 30, 2008, the district has yet to make substantial progress in completing its transportation projects, even though the district issued revenue bonds to finance the projects in June 2005. In addition, retailers have been charging consumers TDD sales tax on all purchases made within the district since July 2005, with sales tax collections totaling approximately \$549,700 through June 2007. Further, the costs now projected to complete the projects are significantly higher than the original estimated project costs.

The primary transportation projects were originally projected to be completed by May 2006. However, project delays and increased costs have resulted in limited

progress on the projects to date. According to a district representative, the project delays and increased costs were due in large part to the following factors:

- Problems acquiring the necessary right-of-way needed to obtain the required permits to begin construction.
- Several additional items were being required by MoDOT after the transportation project plans were reviewed in more detail. This included replacing existing signal equipment at a cost of approximately \$800,000.
- Material costs for all construction, particularly road-related projects, have increased dramatically. According to the district representative, a construction cost index reported a 9.5 percent increase from 2004 to 2005 and an 11.9 percent increase in 2006. These increases compare to historic annual increases of 2 to 4 percent.

Because of the cost overruns being projected, it was determined that the TDD lacked the funding available to complete the primary projects as originally contemplated. In August 2007, the district approved a phased approach to completing the projects, reducing the scope of the projects (Phase 1/Minimum Phase 2) and delaying other improvements until additional funding could be obtained (Phase 2). The estimated cost of constructing the Phase 1/Minimum Phase 2 transportation projects was approximately \$7.1 million. A plan of finance approved by the district in September 2007 included the following optional mechanisms to fund the shortfall:

- Use of the special assessment on the developer's property not needed for repayment of the bonds. However, the maximum amount of subordinate TDD debt allowed is currently \$1 million.
- The proposed formation of the West Oak TDD. The owner of this development and the retailers have tentatively agreed to impose a three-eighths of one percent (0.375%) sales tax for 25 years. The revenues from this tax would be shared on a pro-rata basis between the transportation projects and reimbursing the owner and retailer for their earlier \$700,000 in contributions.
- A contribution from Ameren UE for a portion of the cost of the burial of electric lines and/or a further reduction in burial of these lines which has been approved by MoDOT (as a result, in January 2008, the cost to complete the projects was adjusted to approximately \$6.59 million).
- Issuance of non-recourse debt secured by the excess TDD special assessment and the West Oak TDD revenue. This could generate approximately \$1.5 million of net proceeds.

The district's projected completion date for the Phase 1/Minimum Scope Phase 2 projects is mid-2009. However, the district still faces challenges to complete the projects. It is possible work may not be permitted on Olive Boulevard by MoDOT during the reconstruction of I-64. This could delay the Scope Phase 1/Minimum Scope Phase 2 projects' completion until 2010.

In addition, unforeseen problems obtaining the necessary right-of-way or weather could delay the timely completion of the projects.

In exchange for MoDOT's support of the phased approach of the related transportation projects, the district made the following commitments to MoDOT concerning Phase 2:

- Construction would begin on Phase 2 within the next five years (summer of 2012). The district and the city would actively pursue financing and right-of-way acquisition for Phase 2 during that time period.
 - If Phase 2 work has not begun within that time period, the district would be required to complete a minimum of additional Olive Boulevard improvements to improve traffic flow.
- In June 2005, the district entered into an agreement with the primary developer to provide construction management services for the district's transportation projects. These services were solicited through an RFP process. A provision included within the RFP stated, "The district's sources of funding for the Transportation Projects are limited and may be insufficient to pay the entire cost of the Transportation Project. Accordingly, preferences will be given to those Proposals limiting or foregoing fees for overhead and profit and reimbursable costs for reimbursable items ...".

According to district officials, seven companies requested copies of the RFP; however, only one bid was subsequently received by the deadline date, that being from the developer. The developer's proposal for the construction management services did not seek any fees for overhead or profit and limited reimbursable costs to \$135,000.

It is likely the provision in the RFP limiting overhead fees, profit, and reimbursable costs resulted in no other proposals being received for these services. However, it should be noted that through March 2008, the developer had only been paid approximately \$13,200 for construction management services.

- The district did not solicit RFPs for the professional services provided by its project engineers and legal counsel. Pursuant to the development agreement signed between the developer and the city of Creve Coeur, engineering services were selected by the developer prior to the establishment of the district.

In July 2005 and October 2005, the district authorized new contracts with its primary engineers. According to district officials, the district approved these contracts because it was in its best interest to continue to use these firms' services because of their previous work performed and knowledge of the district's projects. Through March 2008, approximately \$527,000 has been expended for services provided by the district's primary engineers.

According to district officials, the TDD selected its legal counsel because that law firm had already been involved with the development project, acting as the city's legal counsel in redevelopment matters. Through March 2008, approximately \$278,000 was expended on legal services. Most of the paralegal and attorney services billed the district were charged at rates between \$125 and \$300 per hour.

Olive Boulevard TDD's Response:

Delay in project completion. The reasons for the delay in completion of the district's projects have been well-documented. However, the district remains committed to successfully completing its projects in as expeditious and cost-effective manner as possible and the district believes that the current phased approach provides an opportunity for completion of the first phase of the projects during 2008 and 2009.

Construction management services. The district has been advised by its legal counsel that it complied with the requirements of Sections 8.675 to 8.687, RSMo, in the selection of its construction manager. Furthermore, the district believes that, in the context of the selection process, it was necessary to inform prospective construction managers of the district's limited sources of funding for its projects.

Professional services. Generally, there is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.

APPENDIXES

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
210 Highway	09/23/97	Clay	Kansas City	Property Owners	1
Gravois Bluffs	12/07/99	St. Louis	Fenton	Property Owners & City of Fenton	2
Strother Interchange	01/21/00	Jackson	Lee's Summit	Property Owners	1
Fenton Crossing	02/08/00	St. Louis	Fenton	Property Owners	1
Kenilworth	08/15/00	St. Louis	Brentwood	Property Owners	1
Meramec Station Road and Highway 141	09/07/00	St. Louis	N/A	Property Owners	2
Douglas Square	09/21/00	Jackson	Lee's Summit	Property Owners	4
370/Missouri Bottom Road/Taussig Road	11/01/00	St. Louis	Bridgeton/Hazelwood	Property Owners	2
Boonville Riverfront	02/09/01	Cooper	Boonville	Property Owners & City of Boonville	1
Mark Twain Mall	02/20/01	St. Charles	St. Charles	Property Owners	1
I-470 and I-350	03/17/01	Jackson	Lee's Summit	Property Owners	1
St. John's Church Road	04/17/01	St. Louis	N/A	Property Owners	9
Ballwin Town Center	04/26/01	St. Louis	Ballwin	Property Owners	1
Brentwood Pointe	05/16/01	St. Louis	Brentwood	Property Owners	2
Platte County Missouri South I	06/19/01	Platte	Kansas City	Property Owners	3
Big Bend Crossing	06/25/01	St. Louis	Crestwood	Property Owners & City of Crestwood	1
Truman Road	06/25/01	Jackson	Independence	Property Owners	1
Country Club Plaza of Kansas City, Missouri	07/12/01	Jackson	Kansas City	Property Owners & TIF Commission of KC	3
Stardust-Munger-Diamond	10/16/01	Marion	Hannibal	Property Owners & City of Hannibal	1
Interstate Plaza/North Town Village	11/06/01	Pulaski	St. Robert	Property Owners & City of St. Robert	27
Wentzville	11/16/01	St. Charles	Wentzville	Property Owners	5
Shoppes at Old Webster	11/29/01	St. Louis	Webster Groves	Property Owners	3
Platte County Missouri South II	04/12/02	Platte	Kansas City	Property Owners	1
Thirty-Ninth Street	04/25/02	Jackson	Independence	City of Independence	**
St. John Crossings	06/25/02	St. Louis	St. John	Property Owners & City of St. John	1
Douglas Station	06/27/02	Jackson	Lee's Summit	Property Owners	1
CenterState	08/05/02	Boone	Columbia	Property Owners	1
Raintree North	08/19/02	Jackson	Lee's Summit	Property Owners	1
Shoppes at Cross Keys	09/18/02	St. Louis	Florissant	Property Owners	1
Station Plaza	12/04/02	St. Louis	Kirkwood	Property Owners & City of Kirkwood	1
Hanley/Eager Road	12/16/02	St. Louis	Brentwood	Property Owners	6
US Highway 65 and Truman Dam Access	03/12/03	Benton	Warsaw	Property Owners	1
Lake of the Woods	03/24/03	Boone	Columbia	Property Owners	2
I-70 and Adams Dairy Parkway	03/25/03	Jackson	Blue Springs	Property Owners	1
Ozark Centre	04/25/03	Christian	Ozark	Property Owners	1
Crestwood Point	05/15/03	St. Louis	Crestwood	Property Owners & City of Crestwood	2
M 150 and 135th Street	05/15/03	Jackson	Kansas City	Property Owners	1
Boscherts Landing	05/16/03	St. Charles	St. Peters	Property Owners	2
Salt Lick Road	05/16/03	St. Charles	St. Peters	Property Owners	1
Parkville Commons	06/09/03	Platte	Parkville	Property Owners	1
Pershall Road	07/30/03	St. Louis	Ferguson	Property Owners & City of Ferguson	1
Lee's Summit Missouri New Longview	07/31/03	Jackson	Lee's Summit	Property Owners	1
Prewitt Point	08/22/03	Miller	Osage Beach	Property Owners	2
Branson Regional Airport	09/04/03	Taney	Branson	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
WingHaven	09/11/03	St. Charles	O'Fallon	Property Owners	12
Merchant's Laclede	10/08/03	N/A	St. Louis	Property Owners	2
Belton Town Centre	11/17/03	Cass	Belton	Property Owners	10
71 Highway & 150 Highway	11/20/03	Jackson	Grandview	Property Owners	2
Brentwood/Strassner Road	02/24/04	St. Louis	Brentwood	City of Brentwood and St. Louis County	**
Hutchings Farm Plaza	03/04/04	St. Charles	O'Fallon	Property Owners	1
Mexico Road	04/08/04	St. Charles	O'Fallon	Property Owners	1
Southtown	04/12/04	N/A	St. Louis	Property Owners	1
Francis Place	04/13/04	St. Louis	Richmond Heights	Property Owners	1
Poplar Bluff Conference Center	05/04/04	Butler	Poplar Bluff	Property Owners	1
Eureka Commercial Park	05/10/04	St. Louis	Eureka	Property Owners	4
Hanley Road and North of Folk Avenue	05/19/04	St. Louis	Maplewood	Property Owners	1
Megan Shoppes	06/07/04	St. Charles	O'Fallon	Property Owners	2
Folk Avenue South	07/14/04	St. Louis	Maplewood	Property Owners	2
Hyannis Port Road***	07/16/04	Jefferson	N/A	Property Owners & Jefferson County	3
St. Joseph Gateway	07/20/04	Buchanan	St. Joseph	Property Owners	1
Park Hills	07/28/04	St. Francois	Park Hills	Property Owners	2
Hawk Ridge	09/02/04	St. Charles	Lake St. Louis	Property Owners & City of Lake St. Louis	3
Olive Boulevard	09/09/04	St. Louis	Creve Coeur	Property Owners & City of Creve Coeur	2
Shoppes at Stadium	09/27/04	Boone	Columbia	Property Owners	1
Stadium Corridor	10/04/04	Boone	Columbia	Property Owners	4
Troy/Lincoln County	10/05/04	Lincoln	Troy	City of Troy & Lincoln County	**
Chesterfield Commons	10/12/04	St. Louis	Chesterfield	Property Owners	1
Eureka Old Town	10/12/04	St. Louis	Eureka	Property Owners & City of Eureka	4
North Main/Malone	11/19/04	Scott	Sikeston	Property Owners	1
Grindstone Plaza	01/31/05	Boone	Columbia	Property Owners	3
Residence Inn Downtown St. Louis	02/14/05	N/A	St. Louis	Property Owners	1
Mid Rivers/N	02/17/05	St. Charles	St. Peters	Property Owners	1
Bowman	02/17/05	Pulaski	Waynesville	Property Owners	1
Farris Family	02/17/05	Pulaski	St. Robert	Property Owners	4
Wentzville Parkway I	03/03/05	St. Charles	Wentzville	Property Owners	1
St. Charles Riverfront	03/04/05	St. Charles	St. Charles	Property Owners	1
Wentzville II	03/07/05	St. Charles	Wentzville	Property Owners	1
Branson Landing	03/17/05	Taney	Branson	City of Branson	1
Highlands	04/20/05	N/A	St. Louis	Property Owners	2
Kingsmill	05/05/05	St. Charles	O'Fallon	Property Owners	2
Broadway-Fairview	05/10/05	Boone	Columbia	Property Owners	1
US 36/I-72	06/03/05	Marion	Macon/Hannibal	Transportation Corporation, 5 Counties & 6 Cities	**
Osage Station	07/19/05	Camden	Osage Beach	Property Owners	1
Northwoods	07/22/05	Boone	Columbia	Property Owners	1
Glenwood-Watson	07/26/05	St. Louis	Crestwood	Property Owners	2
Commons of Hazel Hills	08/11/05	Cole	Jefferson City	Property Owners	1
Dardenne Town Square	08/18/05	St. Charles	Dardenne Prairie/Lake Saint Louis	Property Owners	10
Hanley Station	09/29/05	St. Louis	Brentwood	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Raintree Lake Village	10/19/05	Jackson	Lee's Summit	Property Owners	1
1717 Market Place	11/25/05	Jasper	Joplin	Property Owners	2
Cripple Creek	11/28/05	Butler	Poplar Bluff	Property Owners	1
Chesterfield Valley	11/28/05	St. Louis	Chesterfield	City of Chesterfield	**
Hawthorne Development	11/30/05	Johnson	Warrensburg	Property Owners	7
Tuileries Plaza	12/09/05	Platte	Kansas City	Property Owners	1
Conley Road	12/09/05	Boone	Columbia	Property Owners	3
Harrisonville Towne Center	12/12/05	Cass	Harrisonville	Property Owners	1
Elm Grove	12/20/05	St. Louis	Hazelwood	Property Owners	2
Tuscany Village	12/21/05	Buchanan	St. Joseph	Property Owners	1

New TDDs Established in 2006:

Koch Plaza	01/19/06	St. Louis	Florissant	Property Owners	1
Barathaven	01/26/06	St. Charles	Dardenne Prairie	Property Owners	3
Blue Ridge Town Centre	02/04/06	Boone	Columbia	Property Owners	1
Tower	02/15/06	Clay	Gladstone	Property Owners	2
Heer's Tower	03/16/06	Greene	Springfield	Property Owners & City of Springfield	3
College Station	03/16/06	Greene	Springfield	Property Owners & City of Springfield	2
Horseshoe Bend	04/13/06	Miller	Lake Ozark	Property Owners	1
Briarcliff Parkway and Highway 9	05/17/06	Clay	Kansas City	Property Owners	1
Fulton South Business 54	06/12/06	Callaway	Fulton	Property Owners & City of Fulton	4
Crackerneck Creek	07/26/06	Jackson	Independence	Property Owners & City of Independence	3
Columbia Mall	08/04/06	Boone	Columbia	Property Owners	4
Arnold Triangle	08/13/06	Jefferson	Arnold	Property Owners & City of Arnold	5
University Place	09/06/06	St. Louis	N/A	The Curators of the University of Missouri	1
Broadway Hotel	09/06/06	N/A	St. Louis	Property Owners	1
620 Market	09/06/06	N/A	St. Louis	Property Owners	1
U.S. Highway 50/63 and City View	09/25/06	Cole	Jefferson City	Property Owners	2
Cornerstone Pointe	10/10/06	Cass	Belton	Property Owners	1
Eureka South I-44***	10/19/06	St. Louis	Eureka	Property Owners & City of Eureka	1
Town and Country Crossing	10/20/06	St. Louis	Town and Country/Ballwin	Property Owners	1
Belton/Raymore Interchange	10/30/06	Cass	Belton/Raymore	Property Owners & City of Belton	3
Wentzville Three	12/04/06	St. Charles	Wentzville	Property Owners	1
Indian Ridge Resort	12/07/06	Stone	Branson West/Village of Indian Point	Property Owners	4
1200 Main/South Loop	12/11/06	Jackson	Kansas City	Property Owners & City of Kansas City	10
Gans Road and U.S. 63	12/12/06	Boone	Columbia	Property Owners	2

** The district has registered voters who approved the district's establishment.

*** These districts had been abolished or were in the process of being abolished at December 31, 2007.

Source: MoDOT TDD data base and the Judgment and Order issued by the Circuit Courts.

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name		Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
210 Highway	\$	8,587,389	11 Years	\$ 5,972,759	1	No
Gravois Bluffs	*	12,764,073	11.5 Years	30,211,614		Yes
Strother Interchange		25,846,800	20 Years	4,231,781	1	Yes
Fenton Crossing	*	4,574,762	20 Years	8,000,000		Yes
Kenilworth	*	1,500,000	14.5 Years	3,859,150		Yes
Meramec Station Road and Highway 141		6,720,000	40 Years	15,700,000		Yes
Douglas Square		450,000	20 Years	4,320,746	2	No
370/Missouri Bottom Road/Taussig Road		34,010,000	17 Years	54,596,724		Yes
Boonville Riverfront		3,908,420	40 Years	4,000,000		No
Mark Twain Mall		1,500,000	30 Years	5,000,000		Yes
I-470 and I-350		17,080,627	40 Years	134,326,373	3	Yes
St. John's Church Road		12,000,000	40 Years	27,000,000		No
Ballwin Town Center	*	1,300,000	21 Years	5,751,400		Yes
Brentwood Pointe		5,101,697	20 Years	13,503,100		Yes
Platte County Missouri South I	*	24,000,000	30 Years	52,000,000		No
Big Bend Crossing		1,487,415	20 Years	2,500,000		No
Truman Road		232,700	21 Years	483,363		Yes
Country Club Plaza		11,149,363	20 Years	30,163,825		Yes
Stardust-Munger-Diamond		4,704,000	19 Years	11,678,000		Yes
Interstate Plaza/North Town Village	*	3,980,000	20 Years	6,500,000		Yes
Wentzville	*	3,150,000	15 Years	5,921,700		No
Shoppes at Old Webster		520,000	20 Years	865,000		No
Platte County Missouri South II		-	-	-	4	No
Thirty-Ninth Street		15,075,640	23 Years	23,614,406		Yes
St. John Crossings		901,630	22 Years	2,354,600		Yes
Douglas Station		1,742,852	20 Years	3,461,671		No
Center State		7,542,000	21 Years	8,000,000		No
Raintree North	*	1,700,000	14 Years	1,700,000		No
Shoppes at Cross Keys		4,900,000	23 Years	12,000,000		Yes
Station Plaza	*	1,550,000	25 Years	3,461,395		No
Hanley/Eager Road		12,000,000	30 Years	22,924,051		Yes
US Highway 65 and Truman Dam Access		2,000,000	25 Years	4,250,000		No
Lake of the Woods	*	2,700,000	30 Years	Unknown	5	No
I-70 and Adams Dairy Parkway	*	1,950,000	10 Years	1,883,723		No
Ozark Centre		3,408,293	20 Years	6,000,000		No
Crestwood Point		2,986,000	40 Years	4,827,000		Yes
M 150 and 135th Street		12,000,000	20 Years	18,817,000		No
Boscherts Landing		553,342	40 Years	Unknown	5	No
Salt Lick Road		1,406,281	30 Years	Unknown	5	No
Parkville Commons		8,000,000	22 Years	12,000,000		Yes
Pershall Road		620,000	25 Years	993,000		No
Lee's Summit Missouri New Longview		5,900,000	20 Years	10,500,000		Yes
Prewitt Point		4,750,000	25 Years	16,152,000		Yes
Branson Regional Airport	*	150,000,000	30 Years	Unknown	5	No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
WingHaven	3,048,098	20 Years	8,178,263	6	No
Merchant's Laclede	6,510,000	30 Years	10,080,000		No
Belton Town Centre *	19,000,000	23 Years	5,480,360	1	Yes
71 Highway & 150 Highway	450,000	23 Years	763,850		Yes
Brentwood/Strassner Road *	8,365,000	11 Years	8,550,000		Yes
Hutchings Farm Plaza *	600,000	8 Years	816,000		No
Mexico Road *	2,600,000	40 Years	3,000,000		No
Southtown *	1,231,292	23 Years	4,204,762		Yes
Francis Place	4,400,000	23 Years	10,000,000	3	Yes
Poplar Bluff Conference Center *	2,400,000	40 Years	2,000,000	1	No
Eureka Commercial Park	1,430,000	40 Years	Unknown	5	No
Hanley Road and North of Folk Avenue	16,300,000	25 Years	30,900,000		No
Megan Shoppes *	1,145,834	40 Years	5,520,000		No
Folk Avenue South	6,958,609	26 Years	19,500,000		Yes
Hyannis Port Road *	564,512	5 Years	650,000	7	No
St. Joseph Gateway *	4,000,000	23 Years	1,821,212	1	Yes
Park Hills *	750,000	20 years	200,000	1	Yes
Hawk Ridge	19,400,000	25 Years	38,700,000		No
Olive Boulevard *	6,590,000	20 Years	8,881,735	3	Yes
Shoppes at Stadium	2,500,000	15 Years	4,000,000		No
Stadium Corridor	13,819,603	25 Years	16,120,457		No
Troy/Lincoln County *	900,000	5 Years	900,000	8	No
Chesterfield Commons	12,000,000	30 Years	Unknown	5	Yes
Eureka Old Town	1,367,500	30 Years	1,260,000	9	No
North Main/Malone *	8,600,000	23 Years	1,398,084	1	Yes
Grindstone Plaza	9,400,000	30 Years	24,000,000		No
Residence Inn Downtown St. Louis	500,000	20 Years	1,500,000		No
Mid Rivers/N	2,206,225	20 Years	8,400,000		No
Bowman *	125,000	20 Years	500,000		No
Farris Family *	250,000	10 Years	250,000		No
Wentzville Parkway I	3,830,625	30 Years	Unknown	5	No
St. Charles Riverfront	10,000,000	20 Years	8,500,000	1	No
Wentzville II	2,800,000	25 Years	7,500,000		No
Branson Landing	53,759,228	23 Years	47,106,055	1	Yes
Highlands	700,000	23 Years	733,119		Yes
Kingsmill	1,525,000	40 Years	1,525,000		No
Broadway-Fairview	5,000,000	30 Years	17,000,000		No
US 36/I-72	136,000,000	15 Years	43,000,000	1	Yes
Osage Station	1,700,000	17 Years	1,700,000		No
Northwoods	1,120,000	30 Years	6,000,000		No
Glenwood-Watson	2,350,000	23 Years	1,952,005	1	Yes
Commons of Hazel Hills *	12,000,000	15 Years	23,000,000		No
Dardenne Town Square	15,000,000	19 Years	10,750,000	1	No
Hanley Station *	2,000,000	19 Years	6,670,000		Yes

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**	TDD Within a TIF district?
Raintree Lake Village	1,530,000	24 Years	4,767,995	No
1717 Market Place *	1,428,680	23 Years	2,070,000	Yes
Cripple Creek	2,087,628	Unknown	Unknown	5 No
Chesterfield Valley	37,300,000	25 Years	25,175,000	1 Yes
Hawthorne Development	17,524,000	20 Years	8,807,602	1 No
Tuileries Plaza	3,600,000	16 Years	8,700,000	No
Conley Road	20,000,000	35 Years	57,000,000	No
Harrisonville Towne Center	1,124,000	23 Years	Unknown	5 Yes
Elm Grove *	750,000	40 Years	2,000,000	No
Tuscany Village	13,000,000	23 Years	7,200,000	1 Yes

New TDDs Established in 2006

Koch Plaza	650,000	Unknown	Unknown	5	No
Barathaven *	4,215,000	20 Years	9,493,639		No
Blue Ridge Town Centre	Unknown	Unknown	Unknown	10	No
Tower	1,000,000	30 Years	1,700,000		No
Heer's Tower	8,826,627	25 Years	187,500	1	No
College Station	8,600,000	25 Years	4,400,000	1	No
Horseshoe Bend *	23,500,000	25 Years	113,079,775		Yes
Briarcliff Parkway and Highway 9	7,036,020	20 Years	3,450,988	1	Yes
Fulton South Business 54	1,400,000	30 Years	2,700,000		Yes
Crackerneck Creek	15,231,975	24 Years	21,980,746		Yes
Columbia Mall	22,000,000	22 Years	10,500,000	1	No
Arnold Triangle	Unknown	Unknown	Unknown	11	Yes
University Place	15,415,000	25 Years	26,300,000		No
Broadway Hotel	6,500,000	25 Years	11,500,000		No
620 Market	991,600	30 Years	2,670,000		No
U.S. Highway 50/63 and City View	14,700,000	20 Years	8,000,000	1	No
Cornerstone Pointe	2,000,000	25 Years	5,910,656		No
Eureka South I-44	-	-	-	12	No
Town and Country Crossing	10,500,000	17 Years	13,000,000		No
Belton/Raymore Interchange	13,000,000	20 Years	Unknown	5	No
Wentzville Three	2,750,000	40 Years	Unknown	5	No
Indian Ridge Resort	28,152,034	30 Years	34,797,760		No
1200 Main/South Loop	40,583,010	25 Years	64,637,467		Yes
Gans Road and U.S. 63	29,000,000	Unknown	30,000,000		No
Total	\$ 1,185,845,384		\$ 1,452,564,411		

* The amount of project costs and anticipated revenues presented were amended by a district official or representative from the amounts initially reported on the TDD survey questionnaire.

**Interest costs on TDD debt and administrative costs of the districts would appear to account for the difference between total estimated project costs and total anticipated revenues for many of the TDDs. In addition, sales tax will be collected until the project's financing has been paid. If revenues exceed expectations this will decrease the TDD's estimated life.

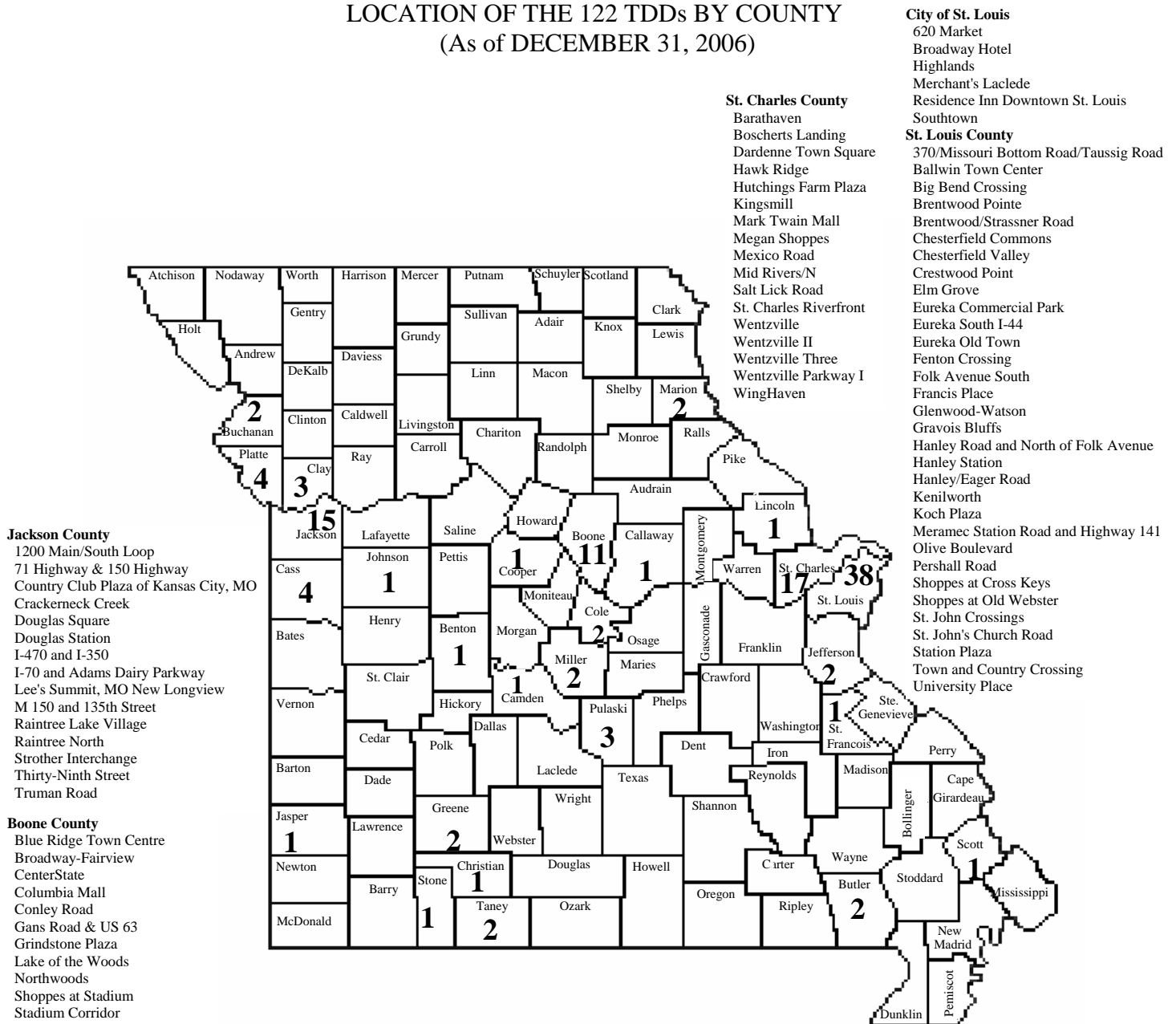
TIF - Tax Increment Financing - 50% of the sales tax collected is used for TIF projects unless an agreement specifies otherwise.

1. TDD sales tax revenues are used to supplement the project costs, with the remaining project costs being funded from other revenue sources.
2. The additional revenue will be used to supplement the project costs related to an adjacent district.
3. The district's project(s) has more than one construction phase, with estimated project costs provided only for Phase 1.
4. Project cost/life of district/anticipated revenue included in information presented for Platte County Missouri South I.
5. Anticipated revenues were not determined and sales tax will be collected until the project financing has been paid.
6. The estimated project costs reported by the district do not include an estimated annual expense of approximately \$200,000 for a trolley service system.
7. The district sales tax was repealed in November 2005, and the district was subsequently abolished in February 2007.
8. The district sales tax was repealed August 2005; however, the district will remain in existence until the projects are completed (estimated at 3 additional years).
9. The district's project(s) was split into four phases and revenue was only estimated on two of the phases.
10. Anticipated project costs and revenues were not determined. It is expected infrastructure costs will be financed by a loan from the developer, which may eventually be retired by sales tax revenue bonds.
11. Revenue and expenditure projections were initially provided; however, the district sales tax was subsequently repealed. Revised revenue and/or expenditure projections have not yet been provided by the district.
12. The district was formed in October 2006. The district's board passed a resolution to establish a sales tax; however, this issue was never submitted to the district's voters. The district was abolished in June 2008, before any project cost or revenues estimates were provided to us.

Source: TDD survey questionnaires and communication with district officials/representatives.

APPENDIX C

TRANSPORTATION DEVELOPMENT DISTRICTS LOCATION OF THE 122 TDDs BY COUNTY (As of DECEMBER 31, 2006)



Note - Of the thirty-eight TDDs located in the area identified as St. Louis, thirty-two of the districts are located in St. Louis County and six are located in the city of St. Louis.

Source: MoDOT TDD database

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Brentwood/ Strassner Road	Mexico Road *	Southtown	Francis Place	Poplar Bluff Conference Center **
Beginning balance, Fiscal Year 2004	\$ 0	0	0	0	0
Receipts:					
Sales taxes	106,837	0	0	0	0
Interest	10,817	0	0	0	0
Revenue bond/note proceeds	9,764,500	0	0	0	0
Total Receipts	9,882,154	0	0	0	0
Disbursements:					
Bond issuance costs	482,963	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	172,645	0	0	0	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	1,068	0	0	0	0
Transportation project costs	6,823,103	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	0	0	0
Total Disbursements	7,479,779	0	0	0	0
Ending Balance, Fiscal Year 2004	2,402,375	0	0	0	0
Receipts:					
Sales taxes	814,854	18,560	8,589	206,797	19,845
Interest	61,850	0	0	746	0
Revenue bond/note proceeds	0	0	0	0	0
Total Receipts	876,704	18,560	8,589	207,543	19,845
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	764,300	0	0	52,094	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	26,047	0	0	132	0
Transportation project costs	191,257	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	65	65,000	0
Total Disbursements	981,604	0	65	117,226	0
Ending Balance, Fiscal Year 2005	2,297,475	18,560	8,524	90,317	19,845
Receipts:					
Sales taxes	779,966	45,504	A financial statement	336,849	26,112
Interest	110,156	195	was not submitted	3,057	0
Revenue bond/note proceeds	0	0	by the TDD for 2006.	0	0
Total Receipts	890,122	45,699	0	339,906	26,112
Disbursements:					
Bond issuance costs	0	0		0	0
Professional fees	0	0		18,196	0
Debt service	769,800	37,492		302,785	24,114
Insurance	0	0		2,925	0
Accounting and auditing	0	0		0	0
Administrative	36,636	25,000		0	0
Transportation project costs	186,901	0		0	0
Collection fees	0	641		0	0
Tax increment financing	0	0		0	0
Other	0	0		35,263	6
Total Disbursements	993,337	63,133	0	359,169	24,120
Ending Balance, Fiscal Year 2006	\$ 2,194,260	1,126	8,524	71,054	21,837

* TDD contact has not provided the 2006 financial statement. The amounts presented were obtained from the city of O'Fallon's financial records.

** Amounts presented in the TDD's financial statements were adjusted to include the beginning and ending cash balances of the TDD and present the financial activity on a cash basis.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Hanley Road and North of Folk Avenue ***	Folk Avenue South ***	Hawk Ridge	Olive Boulevard
Beginning balance, Fiscal Year 2004	\$ 0	0	0	0
Receipts:				
Sales taxes	A financial statement	0	0	0
Interest	was not submitted	0	0	0
Revenue bond/note proceeds	by the TDD for 2004.	0	0	0
Total Receipts	0	0	0	0
Disbursements:				
Bond issuance costs		0	0	0
Professional fees		0	0	0
Debt service		0	0	0
Insurance		0	0	0
Accounting and auditing		0	0	0
Administrative		0	0	0
Transportation project costs		0	0	0
Collection fees		0	0	0
Tax increment financing		0	0	0
Other		0	0	0
Total Disbursements	0	0	0	0
Ending Balance, Fiscal Year 2004	208,220	0	0	0
Receipts:				
Sales taxes	983,485	0	0	0
Interest	41,025	10,292	0	0
Revenue bond/note proceeds	14,844,985	7,731,379	0	0
Total Receipts	15,869,495	7,741,671	0	0
Disbursements:				
Bond issuance costs	594,915	281,539	0	0
Professional fees	16,423	99,198	0	0
Debt service	207,792	299,603	0	0
Insurance	0	0	0	0
Accounting and auditing	0	0	0	0
Administrative	2,960	0	0	0
Transportation project costs	13,424,985	6,224,697	0	0
Collection fees	0	0	0	0
Tax increment financing	0	0	0	0
Other	0	12,500	0	0
Total Disbursements	14,247,075	6,917,537	0	0
Ending Balance, Fiscal Year 2005	1,830,640	824,134	0	0
Receipts:				
Sales taxes	1,187,732	278,062	186,581	285,766
Interest	71,735	27,190	0	168,138
Revenue bond/note proceeds	0	0	0	5,064,325
Total Receipts	1,259,467	305,252	186,581	5,518,229
Disbursements:				
Bond issuance costs	0	0	0	240,434
Professional fees	0	6,567	0	0
Debt service	1,354,280	438,900	0	240,093
Insurance	0	4,000	0	0
Accounting and auditing	0	9,000	0	0
Administrative	41,737	9,333	15,000	207,644
Transportation project costs	0	0	0	330,337
Collection fees	0	3,580	1,417	0
Tax increment financing	0	17,721	0	0
Other	0	193	165	0
Total Disbursements	1,396,017	489,294	16,582	1,018,508
Ending Balance, Fiscal Year 2006	\$ 1,694,090	640,092	169,999	4,499,721

*** Non-cash items on the TDD's financial statements were not presented on this schedule.

APPENDIX E

TRANSPORTATION DEVELOPMENT DISTRICTS SUMMARY OF AUDIT FINDINGS REPORTED BY OTHER INDEPENDENT AUDITORS – SELECTED TDDS

Sales Tax Revenue

- The district's collection agent was not strictly enforcing collection of sales tax revenues, as several retailers were not remitting their taxes (Hanley Road and North of Folk Avenue TDD).
- Missouri sales tax returns (form 53-1) were not always attached to district sales tax returns, providing audit evidence that the district received the correct amount of tax revenue from a retailer. In addition, the district's collection agent did not retain the envelopes in which the sales taxes were received in order to verify – via postmark on the envelope – that the district's sales taxes were being remitted timely (Hanley Road and North of Folk Avenue TDD).
- The district's collection agent had retained \$21,538 over the course of several months that should have been remitted to the bond trustee. However, the collection agent had taken steps in the new fiscal year to resolve this issue (Brentwood/Strassner Road TDD).

Contracts

- The district had not received an executed copy of their Cooperative Agreement with the city (Hanley Road and North of Folk Avenue TDD).

Accounting Records and Procedures

- The district's collection agent did not keep the district's transactions separate from the account activity of adjoining districts (Hanley Road and North of Folk Avenue TDD).
- A written accounting policy and procedure manual was not maintained (Hanley Road and North of Folk Avenue TDD).
- A lack of segregation of duties was noted (Folk Avenue South TDD).

Budgetary Procedures

- For three districts, the budget format was presented in a different method from the district's established funds (Folk Avenue South, Olive Boulevard, and Brentwood/Strassner Road TDDs).

Audited Financial Statements

- The district should file its audited financial statements with the Missouri State Auditor in lieu of the annual financial report as allowed by the Missouri Code of State Regulations. The district should also file the statements with the bond trustee in PDF format, in lieu of a paper copy, for submission to the National Repository (Hanley Road and North of Folk Avenue TDD).

Investments

- A written investment policy was not adopted (Hanley Road and North of Folk Avenue TDD).

Fraud Detection Program

- Two districts did not have a proper fraud detection program (Olive Boulevard and Brentwood/Strassner Road TDDs).

Note – The above findings were included in the Management Letters and/or the Independent Auditor's Report on Compliance and Internal Control which were issued with the independent audits of the selected districts.



Susan Montee, CPA
Missouri State Auditor

HEALTH AND SENIOR SERVICES

Mid-East Area Agency on Aging



October 2008
Report No. 2008-65

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

October 2008

Our office conducted an audit of the Mid-East Area Agency on Aging.

The Mid-East Area Agency on Aging (MEAAA) has experienced a high rate of employee turnover in recent years, with employee turnover rates ranging from 51 to 69 percent from 2004 to 2006. The high turnover rate is costly and time-consuming due to the continuous hiring and training new employees. The agency has taken some steps in an attempt to address this problem; however, the employee turnover rate remains high, at about 50 percent for a recent 12-month period ending March 2008.

Complaints concerning MEAAA management and employee morale issues were reported publicly and to the State Auditor's Office both prior to and during the audit. To review these complaints/concerns and to better understand the reasons for the high turnover, we sent a survey to 63 former MEAAA employees, with 37 of the survey recipients ultimately responding. Many of the surveys cited multiple reasons for leaving employment, including, but not limited to, higher pay, better job opportunity, and retirement. However, the most commonly cited reason was conflict with supervisor(s)/management, with 46 percent of those responding noting this as one of the primary reasons for leaving agency employment. In addition, over half of the former employees responded no to the questions of whether MEAAA management/supervisors treated employees well and with respect, gave fair and equal treatment, and welcomed suggestions and feedback.

The survey results indicate there are employee morale problems at the agency, some involving the relationship between employees and management. The audit concluded that further efforts are needed to reduce the turnover rate and improve employee/management relations and recommended the MEAAA board conduct or authorize an in-depth independent review of agency management/supervisors to gain a better understanding of the problems that exist and take corrective action.

A continuing point of contention has been the MEAAA's decision to provide only limited financial support to the new Tri-County Senior Center (Tri-County) located in the city of Pacific. This is a locally-funded and operated senior center that opened in 2007. The decision was made (by local parties in that community) to proceed with the construction of this senior center even though MEAAA had made no commitment to provide financial assistance to the new center after it was built. While the MEAAA has agreed to provide a limited number of catered meals per day to the new senior center, various officials/residents in the Pacific area have expressed the desire that Tri-County become an MEAAA-operated senior center with an on-site cooking operation and for the MEAAA to cover the costs of the senior center's operations.

YELLOW SHEET

The MEAAA has cited current funding levels within the four-county region, as well as limited funding resources, as reasons for not making Tri-County an MEAAA-operated senior center. An analysis prepared by the MEAAA noted that senior centers in Franklin County (where the city of Pacific is primarily located) already receive approximately 19 percent of MEAAA's funding in the region, even though that county only has about 6 percent of the senior population. It is the belief of MEAAA officials that any funding increases should be directed primarily to areas that are currently underserved.

It appears the MEAAA is under no obligation to take over the operations of this senior center and absorb the related operating costs. The agency's decision to provide only limited financial support to Tri-County appears to have been a reasonable management decision made within the agency's discretion, and the audit made no recommendation related to this matter. However, the MEAAA was encouraged to continue working with Tri-County in pursuing other funding to meet the senior center's operating needs.

Concerns/allegations have been reported publicly regarding the possible misreporting of meals provided by the agency to the Missouri Department of Health and Senior Services (DHSS), the state agency that provides most of the MEAAA's funding. In investigating this matter, it was determined the MEAAA misreported a minimal number of meals to the DHSS in years prior to 2007; however, these reporting errors have been resolved. In addition, any excess funding the MEAAA received from the DHSS related to this situation appears to have been negligible.

The MEAAA competitively procures its major commodity and service contracts and generally makes an effort to solicit competitive bids for other goods and services; however, the agency has not established a comprehensive procurement policy which provides specific guidelines regarding the appropriate/necessary purchasing procedures and documentation to be maintained. As a result, various expenditures were noted in which competitive bids or proposals were not solicited and/or bidding documentation was not retained.

Dispositions of capital assets are not always removed from the asset listing in a timely manner, and formal physical inventory procedures regarding the agency's capital assets have not been established. In addition, a recreational vehicle purchased by the agency in 1996 (at a cost of \$79,600), and subsequently modified to serve as a mobile unit for health screenings and medical exams, has not been used for approximately three years.

Background checks have not been conducted for volunteers who assist in agency programs. Considering the close personal interaction that may occur between volunteers and the senior citizens, conducting background checks on all volunteers may be necessary and would help ensure the safety and well-being of the senior citizens who participate in the agency's programs.

Also included in the audit report are recommendations related to controls over receipts and meeting minutes and record requests.

All reports are available on our Web site: www.auditor.mo.gov

MID-EAST AREA AGENCY ON AGING

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Jane C. Drummond, Director
Department of Health and Senior Services
and
Members of the Board of Directors
Mid-East Area Agency on Aging
and
Mary E. Schaefer, Executive Director
Mid-East Area Agency on Aging
Manchester, Missouri

We have audited the Mid-East Area Agency on Aging. The Missouri Department of Health and Senior Services engaged McBride, Lock and Associates, Certified Public Accountants (CPAs), to audit the agency's financial statements for the years ended June 30, 2007 and 2006. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006. The objectives of our audit were to:

1. Determine if the agency has adequate internal controls over significant management and financial functions, and evaluate the economy and efficiency of the related practices and operations.
2. Evaluate the propriety of expenditures and related procurement policies and practices.
3. Determine if the agency has complied with certain legal provisions.
4. Investigate various concerns publicly reported or conveyed to us during the audit.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; testing selected transactions; and analyzing survey information received from former employees.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the

effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in our audit of the agency.

The accompanying Management Advisory Report presents our findings arising from our audit of the Mid-East Area Agency on Aging.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Kimberly Magner
	Janielle Arens

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MID-EAST AREA AGENCY ON AGING
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Employee Turnover and Morale Issues

The MEAAA has a high level of employee turnover, which appears to be due, at least in part, to conflicts with supervisors/management and morale issues at the agency.

The agency has experienced a high rate of employee turnover in recent years. According to information provided by the agency, the employee turnover rate for nutrition program/senior center employees for calendar years 2004, 2005, and 2006 was 51 percent, 69 percent, and 51 percent, respectively, based on an employment level of 118 nutrition center employees. While some employee turnover is expected, the high turnover rate is costly and time-consuming due to the need for continuously hiring and training new employees.

The agency has recognized that it is experiencing problems with employee turnover and has taken some steps in an attempt to address this problem. The MEAAA has implemented exit interviews with outgoing employees to identify personnel problems and concerns that have contributed to employees leaving the agency. Also, during 2006, changes were made to some job titles to better reflect actual job responsibilities. In addition, according to MEAAA officials, training modules have been developed and standardized job training implemented for supervisors in an effort to decrease turnover resulting from supervisory issues. While MEAAA officials believe these actions have had a positive impact, the employee turnover rate remains high. From April 2007 through March 2008, we determined the employee turnover rate was about 50 percent during that 12-month period, based on agency-provided information.

Complaints concerning MEAAA management and employee morale issues have been reported publicly and to us both prior to and during the audit. To review these complaints/concerns and to help us gain a better understanding of the reasons for the high employee turnover, we sent a survey to a sample of former agency employees. In determining the survey population, we initially considered all individuals (255 individuals) who had left MEAAA employment between July 2005 and February 2008. We then excluded 55 former employees who had been fired (to eliminate individuals who would tend to have a negative bias). In addition, we considered length of employment, with most of the former employees included in the sample having been employed with the agency for at least one year. The parameters and screening process we used were an effort to identify and select an objective sample.

In March 2008, we sent surveys to 63 former MEAAA employees (or approximately one-third of the remaining population), with 37 (or 59 percent) of the survey recipients ultimately responding to the survey. The survey included various questions directed towards the former employees, including their overall level of job satisfaction, reason(s)

for leaving, and how they were treated by management. Responses to questions posed in the survey provided the following results:

- When questioned how the former employee would rate their overall job satisfaction, 7 (or 18 percent) responded high, 19 (or 51 percent) responded moderate, and 9 (or 24 percent) responded low. Two survey responses were not considered valid, and were not considered in our results. While these survey results indicate a majority of the individuals responding to the survey had a moderate to high overall job satisfaction level, many of these people expressed dissatisfaction with how they were treated by supervisor(s)/management.
- Many of the surveys cited multiple reasons for leaving employment, including, but not limited to, higher pay, better job opportunity, retirement, and conflicts with supervisor(s)/management. The most commonly cited reason was conflict with supervisor(s)/management, with 17 former employees (or 46 percent of those responding) noting this as one of the primary reasons for leaving agency employment. The second most commonly cited reason was for higher pay, which was noted on 13 surveys (or 35 percent of those responding).
- When questioned about agency management, the following table identifies the questions asked and the number of responses.

Survey Results (Number of Responses)			
	<u>Yes</u>	<u>No</u>	<u>Sometimes</u>
Do you feel that MEAAA management/supervisors:			
Treated employees well and with respect	11	21	5
Gave fair and equal treatment	8	22	4
Welcomed suggestions and feedback	8	21	5

(Note: Certain former employees did not provide a response to one or more questions on the survey.)

While some of the surveys returned provided positive feedback regarding their employment experience with the MEAAA and agency management, the survey results would indicate there are employee morale problems at the agency, some involving the relationship between employees and management. It should be noted that complaints/concerns shared with us involved all levels of management, including management officials at central office as well as at the senior center level.

The following represent some selected comments received from former employees who returned surveys to us. While some of these employees had only worked for the agency for a limited period of time, others had worked for the MEAAA for at least 6 years or more.

- "When people choose to work for low pay, they would just like to be appreciated. I loved the seniors and loved that type of work, but never felt appreciated. I have

had jobs that paid way more, but chose to work for the MEAAA because I like working with the seniors. I just wanted respect."

- "The work environment is stressful, degrading, fearful, intimidating...Employees should be going home at the end of the day feeling good about themselves and their work – not feeling sad and negative about themselves."
- "There is little communication from management to the centers and frustration within the centers on the ongoing and constantly changing demands and expectations. The centers provide excellent service in spite of, and not because of, MEAAA management."
- "I know a lot of places can't pay very much, but they need to compensate that with having supervisory people who will give praise and show appreciation to people to contribute to their self-worth. People who make low salaries are already struggling in a lot of ways, but they need to be treated with respect as much as anyone else."

Besides the comments cited above, other comments included in the returned surveys indicated that some employees had a much higher level of job satisfaction in earlier years, but that satisfaction level had declined in recent years. In addition, there was the perception of some former employees that management was more concerned about the financial results of the agency than its employees or the seniors it serves. We also received a number of unsolicited calls from former employees who expressed similar concerns regarding agency management and employee morale.

Further, we were made aware that the Executive Director had asked the members of her top management staff at central office to sign an agreement entitled Code of Conduct/Expectations For MEAAA Management Staff. Among the various provisions of this agreement was a provision indicating that "communication with the board (Board of Directors) is expected to go through the executive director who reports to the directors." The agreement further provides that "going over and around the chain of authority is counter productive and harmful for the operation of the agency and will not be tolerated." While we understand and appreciate the need for the chain-of-command to be respected in an organization, we also believe it is unusual for management employees to be required to sign a document like the one discussed above, and this situation could reflect a management tone in the organization that does not promote teamwork and cooperation.

Our review indicated that although the MEAAA is aware of the high turnover rate and has taken some actions to address it, more attention to this issue is needed. Based on the surveys and other information received from former employees, it appears the employees' relationship with management and perception of agency management has had a negative impact on the agency and its employee turnover rate. Further efforts are needed to reduce the turnover rate and to improve employee/management relations. The MEAAA Board of Directors should conduct or authorize an in-depth, independent review of agency management/supervisors to get a better understanding of the problems that exist and take corrective action.

WE RECOMMEND the MEAAA Board of Directors take action to improve employee/management relations to decrease the agency's employee turnover rate and positively impact the agency's programs and operations. Such actions should include an in-depth, independent review and evaluation of agency management/supervisors.

AUDITEE'S RESPONSE

The MEAAA board of directors will review potential actions with the goal of improving morale and retention. MEAAA recognizes that staff turnover is costly and affects the service the agency provides to the community.

However, the audit finding provided no comparison with employee turnover in similar industries or even in other area agencies on aging, and thus offers no basis for characterizing MEAAA's turnover rate as "high."

So it should be noted that according to the US Bureau of Labor Statistics, the industry of accommodations and food service had the highest turnover rate of any category tracked. And in each of the last three years, MEAAA turnover among nutrition program/senior center employees has been lower than the national figures.*

	<u>2007</u>	<u>2006</u>	<u>2005</u>
National Turnover Rate, Accommodations and Food Service (U.S. Bureau of Labor Statistics)	72%	75%	76%
MEAAA Nutrition Department Turnover Rate	54%	51%	69%

** The other industry categories are: Private industry; natural resources and mining; construction; manufacturing; durable goods manufacturing; trade, transportation and utilities; wholesale trade; retail trade, transportation, warehousing and utilities; information; financial activities; finance and insurance; real estate and rental and leasing; professional and business services; education and health services; educational services; healthcare and social assistance; leisure and hospitality; arts, entertainment and recreation.*

Over 59% of the MEAAA turnover was in the three lowest wage positions in the senior centers. It should also be noted that 60% of the turnover during the last four years occurred with employees of one year or less of service. Almost half of the turnover for FY 2004-2007 was in the two lowest-paid positions in the agency: assistant cook (21%) and site aide (26%). A high percentage of the turnover (28.8 %) occurred in three senior centers out of the 23 directly operated by MEAAA. Two of the senior centers, (Arnold and Route 66) during this four-year period had a combined total of 60 separations, representing a disproportionate number of the total separations, skewing the average. Leadership issues at these centers already have been addressed by MEAAA.

We strongly caution against extrapolating the survey results included in the finding -- which were used to support the conclusion that MEAAA's supposedly high separation rate was caused by conflicts with management and morale issues -- to the whole population of ex-employees, as

the respondents were, to a large extent, self-selected. The references to conflict with management were unhelpfully vague, and there was only indirect reference to the number of respondents who elected not to make comments or made favorable comments. The number of negative comments was not stated in comparison to the total of the surveys received with comments.

Regarding the comment about “unsolicited calls” received from former employees -- there were three public solicitations for calls from MEAAA former employees: at a public forum in Union conducted by the Franklin County presiding commissioner, the state senator for Franklin County and the mayor of Pacific on Dec. 6, 2007; and in the Pacific editions of the Washington Missourian on Dec. 24, 2007, and Feb. 6, 2008.

The audit summarizes unspecific comments in returned surveys, including claims that a “higher level of job satisfaction (existed) in earlier years, but that satisfaction had declined in recent years.” No time frame is indicated. But very few of the employees who had separated from the agency during the last four years had worked for MEAAA for more than five years (14%), and separated employees were the only ones surveyed.

Although signing the Code of Conduct/Expectations for MEAAA Management Staff is no longer required, it should be noted that this document was described as “reflecting a management tone in the organization that does not promote teamwork and cooperation.” The document, in fact, included several statements about teamwork and cooperation, as well as the reference to following the chain of authority. These included: “we all work together as a cohesive team” and “we must be supportive of one another in our communications and actions.”

MEAAA has been and continues to be very concerned about improving employee morale. Several incentive programs are already under consideration, such as a merit system for pay increases based upon evaluations, flexible/compressed work schedules, and an employee-of-the-month recognition program. The MEAAA board of directors will develop strategies to evaluate and promote employee morale.

The MEAAA executive director will work with an executive coach to assist in improving the culture of the agency. Supervisory training will be conducted throughout all levels of management to improve employee/management relations and to decrease the agency’s employee turnover rate and positively impact the agency’s programs and operations.

AUDITOR'S COMMENT

We do not necessarily agree that a comparison of MEAAA's turnover rate to national accommodations and food services turnover statistics is a valid comparison. The MEAAA may more closely resemble a social services operation, and according to the U.S. Bureau of Labor Statistics, the 2007 employee separation rate for the health care and social assistance industry was 28.7 percent. In addition, an entity like the MEAAA would likely attract a different group of potential employees than a typical food services operation, many of whom enjoy helping and working with older adults. This was confirmed in comments included in a number of the surveys returned to us.

2.**Reporting of Meals**

The agency misreported a minimal number of meals to the Missouri Department of Health and Senior Services (DHSS) in years prior to 2007; however, these reporting errors have been resolved. In addition, any excess funding that the MEAAA received related to this situation appears to have been negligible.

The MEAAA receives a substantial amount of federal and state funding through the DHSS, much of which relates to its nutrition programs. As part of its monthly reporting responsibilities, the agency is required to report the number of meals it serves to senior citizens to the DHSS.

Prior to our audit and during the course of our audit fieldwork, concerns/allegations were both reported publicly and shared with us regarding the possible misreporting of meals provided by the MEAAA, especially related to certain situations or events. These concerns related specifically to holiday (Thanksgiving) meals provided to senior citizens by some local churches, meals provided at a certain senior citizen event (the Franklin County Silver Games), and meals provided using grant funds received from a local municipality. Those concerns/allegations reported or shared with us implied that the agency was intentionally overstating the number of meals reported to the DHSS to receive additional/excess funding from the state.

To investigate these concerns/allegations, it was necessary for us to obtain an understanding of the DHSS funding process and the impact the number of meals reported by the MEAAA has on the funding it receives. According to DHSS officials, while a portion of the federal and state monies distributed by the DHSS is based on a formula which considers the number of meals served, that amount is relatively minor (accounted for less than 10 percent of all funding received from the DHSS during fiscal year 2007). DHSS officials also indicated that if the agency has substantial involvement in the production and delivery of meals served to eligible seniors, those meals may be included in the number of meals reported to the state.

During November 2007, a controversy developed over what some individuals perceived as MEAAA's intent to improperly report meals to be provided by some local churches to senior citizens during the upcoming Thanksgiving holiday. To address this controversy, the MEAAA consulted with the DHSS regarding this situation, and determined that these meals should not be reported (and ultimately were not reported) to the DHSS because the MEAAA had no substantial involvement related to these meals. Because of the questions raised by this situation, the MEAAA subsequently conducted an internal review of similar holiday meals provided in previous years and did identify that some minor misreporting of meals had occurred. However, the number of meals over reported by the MEAAA totaled less than 300 meals and the related impact on funding received by the MEAAA was negligible. At the conclusion of its review, the MEAAA reported all of this information to the DHSS.

Our review of the meals reported related to those served at the Franklin County Silver Games as well as those provided using the grant funding identified no apparent problems. The MEAAA was substantially involved with the production and delivery of these meals; therefore, it appears appropriate for the agency to have included these meals among those reported. We discussed these situations with appropriate DHSS officials and they agreed with our conclusions in regard to these matters.

Based on our review of these concerns/allegations, it appears some minimal misreporting of meals to the DHSS occurred in prior years; however, any excess funding that the MEAAA received related to this was negligible. Further, the agency resolved these reporting errors in late 2007 by consulting with the DHSS.

WE RECOMMEND the MEAAA continue to monitor and properly report meals provided to the DHSS, especially those related to special or unusual situations/events. If questions arise in the future regarding the appropriateness of counting certain meals among those reported, the agency should again consult with the DHSS to ensure accurate reporting.

AUDITEE'S RESPONSE

MEAAA will continue to work with DHSS to monitor the eligibility and proper reporting of meals, especially in special or unusual situations/events. If questions arise in the future regarding the appropriateness of counting certain meals among those reported, the agency will consult with DHSS to ensure accurate reporting.

3.

Senior Center in Pacific

The MEAAA's decision to provide only limited financial support to the new senior center in the city of Pacific appears to have been a reasonable management decision, and therefore, we make no recommendation regarding this matter. However, we encourage the agency to continue to work with that senior center in pursuing other funding to meet its operating needs.

A controversial issue which existed prior to our audit, and continues to be a point of contention, has been the MEAAA's decision to provide only limited financial support to the new Tri-County Community Senior Center (Tri-County) located in the city of Pacific. This senior center, which opened in 2007, is not currently an MEAAA-operated senior center, but is a locally-funded and operated senior center. The city of Pacific is primarily located in Franklin County, but is on or near the border of both St. Louis and Jefferson counties. As part of our audit, we reviewed the circumstances surrounding the establishment of Tri-County and the funding decision made by the MEAAA.

Prior to 1993, the MEAAA operated a senior center in the city of Pacific. However, due to some structural and handicapped-accessible concerns related to the building where the senior center was located and the inability to find another suitable location within that

city, the MEAAA moved those senior center operations to the city of Eureka, which is located in St. Louis County.

Efforts to establish Tri-County occurred over a several year period, beginning in the late 1990s. Local Pacific-area seniors and other interested individuals decided they wanted a senior center in their community and worked to make it possible. The land for the senior center was donated and grants and other donations were received over several years to cover the cost of constructing the new senior center building. The MEAAA did not provide any funding for these efforts and was not involved in the development or construction of Tri-County. According to both MEAAA officials and the person who led in the establishment of Tri-County (a current Tri-County board member), at the time the decision was made to construct the new senior center, the MEAAA had made no commitment to provide financial assistance for the new center after it was built. However, even with this known, plans to build the new senior center proceeded.

During 2004, correspondence between the MEAAA and Tri-County resulted in a budget being submitted to the MEAAA regarding the proposed operating costs of the new senior center. In October 2004, after reviewing the proposed budget and after considering the level of funding resources available, the MEAAA Board of Directors committed to providing support to Tri-County once it opened in the form of catered meals. Tri-County was informed these meals would be prepared at a different location (likely the senior center at Eureka) and then transported to Tri-County to be served by volunteers in a congregate setting.

Since the opening of Tri-County in April 2007, the MEAAA has been catering approximately 30 congregate meals per day for program participants at the new senior center. The MEAAA has agreed to provide these 30 catered meals to Tri-County at no cost, while Tri-County is charged a specified amount for any meals needed above the 30 meals that MEAAA provides. According to the MEAAA, the annual cost of the daily congregate meals it provides to Tri-County totals over \$58,000. In addition to the congregate meals provided to Tri-County, the MEAAA also provides approximately 50 home-delivered meals daily to homebound seniors in the Pacific area.

Although the Tri-County was able to generate enough funding through grants, donations, and other local support to build the new senior center building, it has had difficulty obtaining funding from those sources to operate. Representatives of Tri-County as well as Pacific area officials and residents have repeatedly expressed frustration over the MEAAA's decision to only provide financial support for Tri-County through the catered congregate meals. Instead, it appears it is the desire of those individuals for Tri-County to become an MEAAA-operated senior center and have an on-site cooking operation. This scenario would result in the MEAAA covering the costs of the senior center operations, including rent, utilities, supplies and equipment, and personnel costs, in addition to raw food costs. According to MEAAA officials, if it were to take over operation of Tri-County as an on-site cooking center, it would cost the agency over \$110,000 annually (or approximately \$52,000 more than the current funding level). If that senior center would take over the responsibility for preparing and serving the home-

delivered meals in that area, the annual cost would exceed \$192,000 (or approximately \$134,000 more than the current funding level).

The MEAAA has cited current funding levels within the four-county region, as well as limited funding resources, as reasons for not making Tri-County an MEAAA-operated senior center. While MEAAA officials recognize that its agency is currently in good financial condition, it is their belief that any funding increases should be directed primarily to those areas that are currently underserved, particularly parts of St. Louis County.

The MEAAA prepared an analysis (using fiscal year 2006 data) comparing senior center funding provided by county to the population of seniors in those counties and determined that the funding being provided by the MEAAA is significantly disproportionate to the senior population in some counties, as presented in the table that follows.

Funding/Senior Population Comparison by County
Year Ended June 30, 2006

<u>County</u>	<u>Funding</u>	<u>Percentage of Funding</u>	<u>Senior Population</u>	<u>Percentage of Senior Population</u>
Franklin	\$1,127,161	19.3	15,401	5.9
Jefferson	1,154,740	19.7	25,609	9.9
St. Charles	1,181,939	20.2	34,610	13.4
St. Louis	2,387,596	40.8	183,668	70.8

Note – We performed comparable analyses for fiscal years 2007 and 2008 and noted similar disparities between funding and population for the various counties.

As noted in the table above, at the time of this analysis the senior centers in Franklin County were receiving approximately 19 percent of the funding provided by the MEAAA in the four-county region, but that county only had about 6 percent of the senior population. The MEAAA receives most of its funding from state and federal monies distributed by the Missouri Department of Health and Senior Services (DHSS). Because there have been little or no funding increases from the DHSS in recent years, it would be difficult for the MEAAA to take over operations of a new senior center (such as Tri-County) without decreasing the funding levels currently being provided to other areas within the MEAAA's region.

While the MEAAA has conveyed its appreciation to Tri-County and its supporters for providing a senior center for residents of Pacific and the surrounding area, it is under no obligation to take over the operations of that senior center and absorb the related operating costs. During our review of this situation, we determined there are senior centers that exist in some communities that operate with little or no financial support from the area agency on aging (AAA) in that region.

In recent months, MEAAA officials have met with Tri-County and other public officials in that area to discuss various other funding alternatives to address the operating difficulties of the new senior center. These include, but are not necessarily limited to, pursuing grants from local governments or other organizations and the possible passage of a county-wide senior services property tax. The MEAAA has also indicated that Tri-County could submit a proposal to be a contracted senior center. As a contracted site, Tri-County would receive funding directly from the MEAAA and would then be responsible for using the funding to provide meals and to cover the costs of personnel, utilities, equipment, etc. However, the MEAAA has stipulated that any funding provided by that arrangement would be limited to the amount currently being incurred by the agency to cater meals to Tri-County.

It should be noted that during the 2007 legislative session, the state legislature appropriated \$50,000 to the DHSS to be used to help pay operating costs of the new senior center in Pacific. This appropriation helped to pay operating costs of Tri-County during its first year of operations. During the most recent legislative session, the legislature again approved an appropriation (this time in the amount of \$25,000) for funding the senior center's operating costs in its second year.

The MEAAA, like other AAAs in the state of Missouri, is responsible for developing and administering a plan for a comprehensive and coordinated system of services for the elderly in its region. The agency's decision to provide only limited financial support to Tri-County appears to have been a reasonable management decision made within its discretion, and therefore, we make no recommendation regarding this matter. However, we encourage the MEAAA to continue to work with Tri-County in pursuing other funding to meet that senior center's operating needs.

AUDITEE'S RESPONSE

The board of directors of MEAAA and staff will continue developing and administering plans for a comprehensive and coordinated system of services for the elderly in its four-county area. In addition to the 30 daily average congregate meals which MEAAA provides for the Tri-County Senior Center, MEAAA also provides approximately 50 home-delivered meals daily to homebound seniors in the Pacific area, with no assistance from the Tri-County Senior Center. The auditors noted the limited funding resources available for MEAAA and the disproportionately high percentage of MEAAA funding currently provided for Franklin County, whose 60 and older residents make up only 6% of the MEAAA region's total senior population. The MEAAA board will continue to review areas of the planning and service area that are underserved for funding increases.

MEAAA will also continue to work with Tri-County Pacific Senior Center within the available funding constraints. MEAAA will continue to work with the center to identify other external funding sources in the same manner that we work with other community groups and organizations.

4.**Procurement of Goods and Services**

The MEAAA has not established a comprehensive procurement policy and proposals related to the agency's banking services have not been solicited for a number of years.

- A. The MEAAA competitively procures its major commodity and service contracts (such as its primary food supplier and transportation provider) through a request for proposals (RFP) process, and it appears the agency generally makes an effort to solicit competitive bids for other goods and services. However, the agency has not established a comprehensive procurement policy which provides specific guidelines regarding the appropriate/necessary purchasing procedures and documentation to be maintained. The agency's current procurement policy states that purchases in excess of \$1,000 shall be supported by three well documented bids; however, there is little or no specific guidance regarding how the bids are to be obtained or the documentation to be maintained. As a result, concerns were noted regarding some purchases made by the agency.

Various expenditures were noted in which competitive bids or proposals were not solicited and/or bidding documentation was not retained in accordance with the agency's policy. Examples include the following:

Item	FY07 Annual Purchases
Purchases from four local food vendors	\$180,855
Health care supplies and equipment from one supplier	157,264
Pest control services	7,210

Item	Individual Invoice Total
Table and chair rental for a Senior Fair	\$2,919
Installation of kitchen equipment	2,056
Window air conditioners (20 units)	1,799
Dryer, stove, refrigerator/freezer	1,156

As noted above, during the year ended June 30, 2007, over \$180,000 was paid to several local food vendors other than the agency's primary food supplier. Although the primary vendor supplies most food items to the senior centers, purchases are also made from these local vendors for such items as dairy, produce, and baked goods. Agency officials indicated the local vendors are used because the items are fresh, sometimes at a lower cost, and more convenient because they can supply smaller quantities with more timely delivery. However, it appears bids are not obtained for any of the food items purchased from the local food vendors. In addition, no documentation was maintained to support why the

local vendors were used rather than the board-approved primary food supplier, nor were there any written contracts or agreements with these local vendors.

For some of the other purchases noted above, agency officials indicated that bids had been obtained; however, documentation supporting these bids was not maintained. In addition, for other purchases (such as the air conditioners), we were told that bids were not obtained because the individual items/units purchased did not exceed the \$1,000 bidding threshold.

In addition to the expenditures noted in the above table, we noted instances where the agency obtained telephone quotes for significant purchases, whereas formal bids may have been more appropriate. Examples include the purchase of two copy machines for \$19,200 and exercise equipment for \$8,424. Considering the higher cost of these items, it appears the agency should have at least obtained written bids for these purchases, and possibly considered advertising for bids.

The procurement of competitive bids for significant expenditures helps ensure that the agency receives fair value by contracting with the lowest and/or best bidders. The MEAAA's current bidding procedures could be made more effective by establishing a comprehensive policy identifying the manner in which bids should be obtained and including documentation requirements. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Written documentation of bids also provides evidence that the agency has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, support for decisions made, and documentation of discussions with vendors. In addition, written contracts or agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid.

- B. The MEAAA has not formally solicited proposals for its banking services since at least 1999. Agency officials indicated its current banking services and related fees are occasionally compared to those of other financial institutions; however, no documentation is maintained to support these comparisons. According to information presented in the agency's last two financial audits, the MEAAA paid over \$30,000 in service charges to its bank during the two years ended June 30, 2007.

The agency should solicit formal proposals for its banking services on a periodic basis. Doing so will help ensure the banking services received, as well as the costs of those services, are reasonable and competitive.

WE RECOMMEND the MEAAA:

- A. Establish a comprehensive bid policy which provides appropriate bidding guidelines related to the procurement of all good and services. Such a policy should include criteria on how bids are to be solicited as well as documentation requirements. In addition, the agency should ensure written contracts are prepared to formalize any purchase or service agreements entered into.
- B. Solicit formal proposals for banking services on a periodic basis.

AUDITEE'S RESPONSE

- A. *The agency will improve its present procurement policy by providing comprehensive, specific procedures for purchasing items that are over \$1,000 or if the total procurement is over \$1,000 for a six month period in the following manner:*
 - 1) *Telephone bids will only be allowed for items or total invoices between \$1,000-\$2,000. The telephone bids will include the detail documents received by e-mail or fax from the potential supplier, which will be attached to the purchase order and filed in the accounts payable records.*
 - 2) *Formal bids will be required for those items costing \$2,000-\$7,999 or total invoice costing \$2,000-\$7,999. The bid package will include a complete description of the items being procured, installation costs, shipping & handling charges, setup fees, and any other miscellaneous charges. A minimum of 3 bids will be normally required. If 3 bids cannot be obtained, documentation of the reasons will be attached to the purchase order.*
 - 3) *Sealed, written bids will be required for all items at/or over \$8,000. Specific, detailed bid specifications will be prepared. Bids must be submitted at least every 3 years and may be submitted more frequently at the discretion of the agency. Information on the bids will be posted on the agency website. Advertising in a local newspaper will be evaluated. The agency will update the current policies pertaining to food and supply purchases at the senior centers. The revised policies will include specific and additional criteria on how bids for senior center food and supply purchases are solicited and requirements for documentation. The primary vendor purchase agreement for senior center food and supplies shall be formalized in a written contract. The agency will document the necessity of purchasing small quantities of perishable foods such as dairy, produce, and baked goods from local vendors and submit a proposal to the MEAAA board of directors for approval. Purchasing these perishable items from local vendors provides fresher foods for our senior meals. In addition, it minimizes the amount of refrigerator and freezer space required for storage of perishable foods at each senior center, reducing equipment and energy expenses.*

- B. *The agency is in the process of developing specific, detailed bid specifications to solicit formal proposals for banking and financial services for the central office during the fall of 2008, with the goal of adoption effective January 1, 2009. The agency has 24 different locations within the four-county area for the senior centers and location will be a factor in the banking services related to the senior centers. Obtaining financial institution/bank bids will occur at a minimum on the 3-year cycle.*

5. Capital Assets

Various concerns were noted regarding the MEAAA's capital asset records and related procedures. Dispositions of capital asset items are not always removed from the capital asset listing in a timely manner. In addition, formal physical inventory procedures regarding the agency's capital assets have not been established and the current procedures are not adequate. Also, an agency-owned vehicle has not been utilized in recent years.

- A. Dispositions of capital assets are not always removed from the capital asset listing in a timely manner. Over 100 capital asset items disposed of during fiscal year 2007, with a total purchase cost of approximately \$120,000, had not been removed from the agency's capital asset listing as of June 30, 2007, the end of the fiscal year. Disposal request forms for these assets were prepared in May 2007; however, those forms were not submitted to the fiscal department to be recorded until March 2008.

Records of capital assets should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Complete and accurate capital asset records are necessary to ensure better internal control over property, provide a basis for proper financial reporting, and for determining proper insurance coverage.

- B. Formal physical inventory procedures regarding the agency's capital assets have not been established, and we determined the procedures in this area are not adequate. Although a physical inventory of capital assets located at senior centers was performed in May 2007, the results of this inventory were not reconciled to the agency's capital asset listing. In addition, no recent physical inventory of the property items at the agency's central office had been conducted, and agency personnel were uncertain if a physical inventory of central office property items had ever been performed.

To ensure capital asset items are adequately safeguarded and accounted for, formal physical inventory procedures should be established. These procedures should require an annual physical inventory of all property items and a reconciliation or comparison of the physical inventory to the capital asset listing. Such procedures would help to identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect the theft of assets.

- C. A recreational vehicle purchased by the agency in 1996 has not been utilized in recent years. After the vehicle was acquired, it was modified for medical use and it served as a mobile unit for health screenings and medical exams. This vehicle was acquired new at a cost of \$79,600, and as of April 2008, the vehicle's odometer indicated it has been driven approximately 9,800 miles. We observed this vehicle and found that, although the vehicle was generally in good condition, some signs of deterioration and disrepair were becoming evident.

MEAAA officials indicated it has been approximately three years since the vehicle was last used for program purposes. They indicated the agency discontinued using the vehicle because of uncertainty regarding whether funding would be received for the related program in recent years. Because of this funding uncertainty, the agency had not pursued hiring another driver for the vehicle when the previous driver left the agency's employment.

The likelihood of future usage of this vehicle should be reviewed. If the agency determines it does not need this vehicle, it should be disposed of in a timely manner while it still has some value.

WE RECOMMEND the MEAAA:

- A. Maintain perpetual records of all capital assets which are updated for purchases and dispositions as they occur.
- B. Establish formal physical inventory procedures related to its capital assets which require that annual physical inventories of all property items be conducted and be reconciled to the capital asset records.
- C. Determine whether the agency's recreational vehicle will be used effectively for future programs/operations. If this vehicle can not be used efficiently and effectively, the agency should take action to dispose of this vehicle.

AUDITEE'S RESPONSE

- A. *MEAAA has corrected the records of all capital assets by updating the purchases and disposal of all assets and their locations and will continue to do so in a timely manner.*
- B. *MEAAA is in the process of developing specific formal inventory procedures concerning all capital assets to include reconciling to the capital asset listing. A complete physical inventory of all property items at all sites, including the central office, has been completed. Finalizing the reconciliation to the capital inventory is in process and will be completed on an annual basis.*
- C. *The vehicle is now part of the agency disaster plan and, as such, will be utilized as needed as part of that plan.*

6.**Controls over Receipts**

Controls over program contributions related to home-delivered meals need to be improved. In addition, an initial receipts log is not maintained for monies received at the central office, including those received through the mail.

- A. The MEAAA's nutrition programs include those related to congregate meals (hot meals provided to participants at the agency's senior centers) and home-delivered meals (meals provided to homebound senior citizens). Both programs generate program income, which consists of voluntary contributions/donations by the program participants to help offset the cost of the meals. The controls that have been established over program income from congregate meals generally appear to be effective; however, the controls related to home-delivered meal program income are relatively weak and that program income may be at risk. According to the agency's audited financial statements, for the fiscal year ended June 30, 2007, the MEAAA received approximately \$376,800 in program income/contributions related to the home-delivered meals program.

There is a general lack of segregation of duties related to the handling of collections from home-delivered meals, with an individual employee or volunteer generally being responsible for delivering meals to certain homebound participants, collecting any contributions from those participants, and for turning the monies collected over to the applicable senior center. Due to program restrictions, which require confidentiality regarding voluntary contributions, no records are maintained to monitor individual participant contributions. In addition, it does not appear any procedures have been established by the agency or the individual senior centers to analytically compare collections related to home-delivered meals by senior center or by delivery route.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all receipts are properly accounted for and turned over for subsequent deposit. The MEAAA should evaluate the controls over the collection and handling of home-delivered meal contributions and determine how those controls might be improved. In addition, the agency should also consider establishing procedures to analytically review these program contributions on a periodic basis in an effort to provide some assurance that all contributions are properly collected and deposited.

- B. An initial record or log of receipts is not maintained for monies collected by the receptionists at the agency's central office, including monies received by mail. Such monies, which generally represent donations and program contributions, sometimes pass through various employees before being recorded and subsequently deposited.

To reduce the risk of loss or misuse of funds, all monies initially received at central office, including receipts received through the mail, should be recorded on an initial receipts log before being distributed for further processing. In addition, this initial receipts log should be subsequently reconciled with deposits to ensure all monies received and recorded on the log have been accounted for properly.

WE RECOMMEND the MEAAA:

- A. Review the controls over the collection and handing of program contributions related to the home-delivered meals and determine how those controls can be improved.
- B. Establish an initial receipts log for monies received at central office, including mail receipts. This receipts log should be periodically reconciled to deposits.

AUDITEE'S RESPONSE

- A. *The agency will continue to monitor the process for the potential for improving controls over receipts. As stated in the audit, the Older Americans Act, which governs the agency's federal funding, requires the opportunity for customers to give a confidential voluntary donation for agency services, including home-delivered meals. Different methods to provide controls have been utilized. Very few volunteers are able or available to go out together to deliver meals. Finding enough single volunteers to cover the meal routes is very difficult. When agency staff (also usually a single person) deliver meals in an agency vehicle, locked boxes were tested in the past to determine if the boxes made a difference in the level of donations. No difference was found. Plain, small envelopes are provided for customers to use to make their voluntary contributions, if desired. Family members of the customers, as well as the customers, have been contacted explaining the opportunity to pay by check via mail. Many still continue to give daily donations via the volunteer or staff person delivering the meals. While the customers have the opportunity to mail in donations on a weekly or monthly basis, it would be a hardship on many if they had to purchase stamps to mail donations on a regular basis.*
- B. *The agency has implemented a receipts log for monies received at the central office, including mail receipts which will be periodically reconciled to deposits.*

7. Volunteer Background Checks

Background checks have not been conducted for volunteers who assist in agency programs.

According to a survey of senior centers conducted by the MEAAA in December 2007, approximately 1,400 volunteers are actively participating in senior center operations, involving primarily clerical and meal service/delivery activities. Approximately 750 of

these volunteers work within the home-delivered nutrition program. Volunteer activities related to this program may involve direct contact between a volunteer and a senior program participant in the senior citizen's home. In addition to delivering meals to the participant, the volunteer may be responsible for handling program contribution monies received from the participant. While the agency performs background checks on all employees, at the time of our review background checks were not being conducted for any volunteers.

Considering the close personal interaction that may occur between volunteers and the senior citizens (in many cases in the participant's home), conducting background checks on all volunteers may be necessary and would help ensure the safety and well-being of the senior citizens who participate in the agency's programs. In addition to a criminal background check, a Family Care Safety Registry background check may also be appropriate. Missouri's Family Care Safety Registry was established by law to protect children, elderly, and the physically or mentally disabled and to promote family and community safety by providing background information about potential caregivers. While there is not currently a statutory requirement that background checks be conducted for MEAAA volunteers, DHSS officials indicated that they believe such background checks for the volunteers are necessary. At a minimum, the MEAAA should have background checks conducted for those volunteers who work in the home-delivered nutrition program.

It appears the agency has recognized the benefits and possible need for volunteer background checks, but it has had concerns about the cost involved in having the background checks conducted. The MEAAA estimates it will incur an initial cost of \$10,000 to \$12,000 to conduct background checks on volunteers who assist with home-delivered meals and additional costs annually thereafter for new volunteers. However, during a March 2008 meeting, the Board of Directors authorized the agency to proceed with the process of implementing background checks for home-delivered nutrition program volunteers, particularly those volunteers who have direct contact with program participants at their homes.

WE RECOMMEND the MEAAA proceed with having background checks conducted for volunteers, particularly those volunteers who assist with the home-delivered nutrition program.

AUDITEE'S RESPONSE

MEAAA is proceeding with background checks on home-delivered meals volunteers. All new home-delivered meals volunteers are currently checked as of July 1, 2008, and the current volunteers background checks have begun. The agency will review the need for background checks on other volunteers.

No minutes are maintained for closed meetings held by the agency's board of directors or the board's executive committee. Also, the minutes for open meetings are not signed by the preparer or approved by the designated board officials in a timely manner. In addition, the agency needs to improve its policies and procedures regarding record requests.

- A. Minutes are not maintained of closed session meetings of the agency's board of directors or those of the board's executive committee. While the open session minutes indicate when a meeting is being closed as well as the reason(s) for closing the meeting, the proceedings of the closed session are not documented through minutes, as required.

Section 610.020, RSMo, requires minutes be kept for all closed meetings. In addition, Section 610.022, RSMo, provides that governing bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Without minutes of closed meetings, there is no record of the discussions held or support for any decisions made, and less assurance that various statutory provisions are being followed.

- B. Minutes of open session meetings held by the board of directors and the board's executive committee are prepared by the executive secretary of the MEAAA and the board president and board secretary subsequently sign the prepared minutes to provide an independent attestation as to the minutes' accuracy. However, the executive secretary does not sign the minutes as preparer and the minutes are not always signed by the board president and board secretary in a timely manner. For example, minutes for all the meetings held between October 2006 and August 2007, were not signed by the board president and board secretary until September 2007.

To properly document the preparation and timely approval of the official minutes and ensure their accuracy, these records should be signed by the executive secretary as the preparer and approved by the designated board official(s) shortly after the meeting is held.

- C. The agency's policy and procedures regarding public access to agency records need to be improved to ensure compliance with provisions of Chapter 610, RSMo, commonly referred to as the Sunshine Law. The current policy indicates the custodian of records shall respond to all information requests within the time period provided by state law. However, this policy does not include any provisions for documenting the requests received. The agency does not currently maintain a record documenting information requests received, if any, or copies of records provided; therefore, the proper handling of any Sunshine Law information requests could not be determined. In addition, agency officials indicated that four

cents per page is charged for copies of records requested; however, this charge is not documented in the applicable policy.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received. To ensure it is complying with this statute and other provisions of the law, the MEAAA should revise its current policy in this area to require that a record documenting information requests be maintained, and include procedures for handling such requests and a schedule of costs to be charged.

WE RECOMMEND the MEAAA:

- A. Ensure minutes are maintained to document matters discussed and decisions made in closed meetings.
- B. Ensure board minutes and executive committee minutes are signed by the executive secretary as preparer and signed by the designated board official(s) in a timely manner to attest to their completeness and accuracy.
- C. Revise the current records policy to ensure compliance with applicable state laws. This policy should require that a record documenting information requests be maintained, and include procedures for handling such requests along with a schedule of costs to be charged.

AUDITEE'S RESPONSE

- A. *The agency will maintain closed session minutes in a locked file in the executive secretary's office to assure compliance with the state statute requirements.*
- B. *The agency records open session meetings. MEAAA will have the executive secretary sign as the preparer of the minutes and obtain a signature from the designated board official within 10 working days of the date of the meeting.*
- C. *A log of requests for public records information has been implemented and will be maintained by the custodian of records. The agency policy for handling public records requests will be revised to include date of request, cost of copies, any other costs related to the provision of public records, and the date of response to the request to ensure compliance with applicable state laws.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MID-EAST AREA AGENCY ON AGING HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

As a result of 1973 amendments to the federal Older Americans Act, each state was required to divide its respective state into planning and service areas, and to designate "area agencies on aging" (AAAs). These AAAs develop and implement programs and services for older persons at the local level. Pursuant to this federal mandate, in 1973 the Mid-East Area Agency on Aging (MEAAA) was established as a non-profit corporation to develop a comprehensive, coordinated service system for older persons in the four-county region of Franklin, Jefferson, St. Charles, and St. Louis counties.

The Missouri Department of Health and Senior Services (DHSS) has designated ten AAAs throughout the state (including the MEAAA) to provide needed services to the elderly within their respective planning and service areas. This department is responsible for administering the federal and state funding which is provided to these agencies.

To receive DHSS funding, each AAA must submit an Area Plan to the DHSS annually which outlines the needs of older Americans within their planning service area, identifies services the AAA will provide to address those needs, and includes a budget to support the costs of those services. Priority services are determined by utilizing public hearings, customer surveys, advisory councils, and other available information. The Area Plan is reviewed by DHSS and, upon approval, a contract is awarded to the AAA based on the state's fiscal year.

The MEAAA is governed by a 23-member board of directors. In addition, a 24-member advisory council assists the board in the development and administration of the MEAAA's Area Plan and the delivery of nutrition and support services. The membership of the board of directors and advisory council represents all four counties in the MEAAA's service area, and most members are age 60 or older. The board and council members serve without compensation, but may receive reimbursement for any expenses incurred in performing their duties. As of December 31, 2007, the officers of the board of directors consisted of the following:

Name	Position	County Represented
Charles Heisler	President	Jefferson County
Lester Bohle	1st Vice President	Franklin County
Arthur L. Visor	2nd Vice President	St. Louis County
Gene Maggard	Secretary	St. Louis County (1)
Ronald Bauers	Treasurer	St. Charles County

(1) Gene Maggard resigned in March 2008 and Rosemary Terranova was elected Secretary.

The executive committee, which is elected by the board of directors, is made up of the five officers and two other board members (including the past president, if still a member of the board). The executive committee has the powers of the board between meetings, subject to ratification by the full board of directors. The executive committee is also responsible for setting objectives for and evaluation of the Executive Director.

An Executive Director, who is appointed by the board of directors, serves as the top administrative official of the agency. The Executive Director is responsible for administering policies set by the board of directors and for advising the board regarding funding sources, laws/regulations, and the possible impact of these on current and future agency activities. Mary E. Schaefer has served in this position since July 1, 2002. Other top administrative officials are responsible for various other duties/functions. The individuals who served in these positions as of December 31, 2007, and their annual salaries, based on compensation paid at that date, were as follows:

Name	Position	Annual Salary
Mary E. Schaefer	Executive Director	\$ 83,242
John Gamache	Director of Planning and Development	59,093
Jamie Opsal	Director of Senior Centers	55,910
Lisa Beatty	Director of Case Management	46,592
John Klos	Fiscal Officer	55,016

The MEAAA provides, either directly or through contracts with other agencies, the needed services for older adults in its service region. All programs are directed toward meeting the mandate of the Older Americans Act to help older adults to maintain their highest level of independence. These programs have been chosen based on recommendations of the advisory council, a past needs assessment, and public hearings held in the four-county area.

Nutrition programs for senior citizens are also provided by the MEAAA. The purpose of these programs are to provide nutritious meals either in a congregate setting or home-delivered; nutrition counseling; and to encourage socialization and participation in activities at the multipurpose senior centers. Currently, the MEAAA operates 25 senior centers and contracts for an additional 3 senior centers. For the year ended June 30, 2007, expenditures for the Congregate Nutrition Program and the Home-Delivered Nutrition Program totaled over \$1.6 million and \$4.2 million, respectively. These two programs comprised approximately two-thirds of the MEAAA's total expenditures during that year.

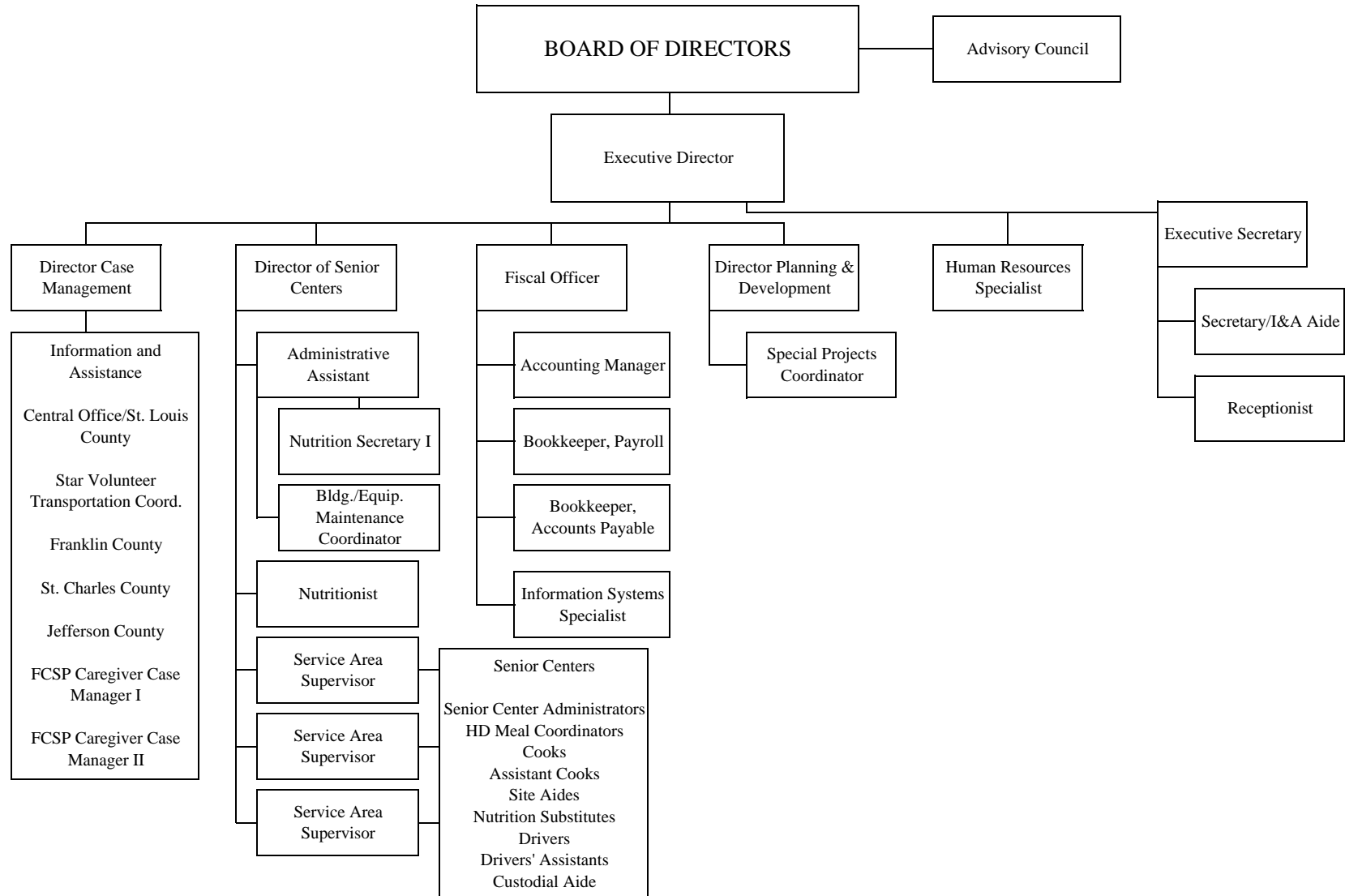
Contracted services currently include adult day care, ombudsman services, long-term care information, legal services, and transportation. The MEAAA also operates an energy assistance program working with a local utility.

The agency is active in several volunteer programs to improve services to the frail elderly. These programs include Tax Counseling for the Elderly, the Silver Haired Legislature advocacy group, and the Christmas Day Meals Project. Local schools are working with the MEAAA through the Adult and Children Together Program, matching senior citizens with first graders.

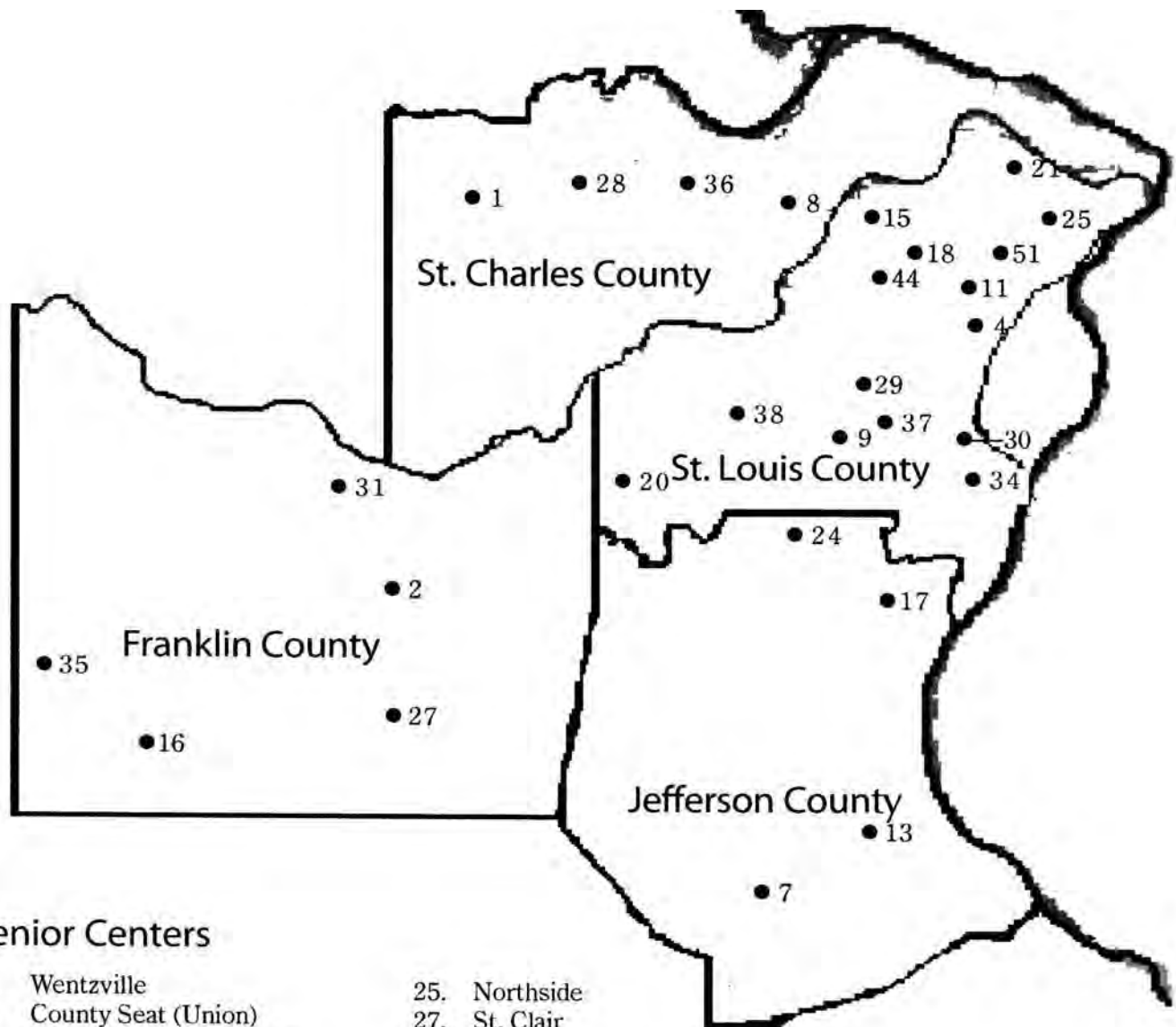
The MEAAA targets services to older adults at all levels of mobility. These services are provided by approximately 145 employed staff members and over 1,400 dedicated volunteers. The individual and collective mission of these employees and volunteers is to improve the lives of older adults who reside in MEAAA's four-county service area.

An organization chart, a map of the agency's planning and service area, and financial information follow.

MID-EAST AREA AGENCY ON AGING
 ORGANIZATION CHART
 JUNE 30, 2007



MID-EAST AREA AGENCY ON AGING
 PLANNING AND SERVICE AREA AND LOCATION OF SENIOR CENTERS
 MAY 2008



Senior Centers

- | | |
|---------------------------------------|----------------------------------|
| 1. Wentzville | 25. Northside |
| 2. County Seat (Union) | 27. St. Clair |
| 4. Ochs (University City) | 28. O'Fallon |
| 7. De Soto | 29. Webster Groves* |
| 8. St. Charles | 30. Affton |
| 9. Kirkwood | 31. Washington |
| 11. Crown Center (University City)* | 34. South County (Lemay) |
| 13. Quad Cities (Festus) | 35. Gerald* |
| 15. Bridgeton | 36. St. Peters |
| 16. Sullivan | 37. Shrewsbury |
| 17. Arnold | 38. West County (Manchester) |
| 18. No. County Senior Towne (St. Ann) | 44. Covenant House (Creve Coeur) |
| 20. Route 66 (Eureka) | 51. St. Jane |
| 21. Pope John Paul II* | |
| 24. High Ridge | |

*satellite center

Note: Senior centers were assigned numbers sequentially as they opened. Some centers have closed or co-located over the years. This is why there are breaks in the number sequence.

Appendix

MID-EAST AREA AGENCY ON AGING COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2007	2006
REVENUES		
Missouri Department of Health and Senior Services	\$ 7,566,873	7,382,516
Missouri Department of Transportation	165,105	200,000
Missouri Department of Social Services	72,840	72,702
Program income	940,550	947,473
Interest income	100,172	71,419
Other Cash - DHSS match	401,778	274,238
Other Cash - Non DHSS match	45,330	122,009
Total Revenues	<u>9,292,648</u>	<u>9,070,357</u>
EXPENDITURES		
Administration	873,940	858,288
Supportive Programs	1,283,064	1,249,275
Ombudsman Program	83,615	92,608
Congregate Nutrition Program	1,631,034	1,679,217
Home-Delivered Nutrition Program	4,207,119	3,706,962
Disease Prevention & Health Promotion Program	56,330	86,199
Family Caregiver Program	646,250	549,786
Older Adults Community Service Employment Program	38,543	499,240
Special Program	79,101	181,399
Total Expenses	<u>8,898,996</u>	<u>8,902,974</u>
CHANGE IN NET ASSETS	393,652	167,383
NET ASSETS - Beginning of year	<u>3,098,931</u>	<u>2,931,548</u>
NET ASSETS - End of year	<u><u>\$ 3,492,583</u></u>	<u><u>3,098,931</u></u>

Note: At June 30, 2007 and 2006, Net Assets included Cash of \$2.2 million and \$2.1 million, and Capital Assets (net of accumulated depreciation) of \$1.4 million and \$1.5 million, respectively.

Source: The MEAAA's annual financial statement audits.



Susan Montee, CPA
Missouri State Auditor

Twentieth Judicial Circuit

Franklin County



September 2008
Report No. 2008-64

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following findings were noted as a result of an audit conducted by our office of the Twentieth Judicial Circuit, Franklin County, Missouri.

The Circuit Division does not have adequate procedures to review cases with open items (liabilities) and make timely disbursements. As of December 31, 2007, the Circuit Division had open items totaling \$1,516,146. Our review of garnishment open items identified untimely disbursements of garnishment monies held by the Circuit Division. We noted several cases with old outstanding balances.

The composition of receipt slips issued is not reconciled to the composition of monies received and deposited by the Circuit Division. In addition, the numerical sequence of receipt slips issued is not accounted for properly. Although a daily cashier session report is printed, no one ensures that all receipt numbers are accounted for. The Circuit Division has not established procedures to routinely follow up on old outstanding checks and copy monies received are retained to replenish a petty cash fund that is not maintained at a constant amount.

In both Associate Circuit Divisions VI and VII the composition of receipt slips issued is not reconciled to the composition of monies received and deposited. In addition, in Division VI procedures have not been established to review and dispose of old outstanding checks and in Division VII manual receipts are not accounted for properly and deposits are not made timely.

A bond form and a prenumbered manual receipt slip are prepared by the Sheriff's Department for bonds accepted; however, neither the bond forms nor the receipt slips are accounted for, and therefore, the court has no assurance that all bonds received by the Sheriff's Department have been turned over to the court. In addition, duplicate copies of the receipt slips are filed in the inmate files, which are destroyed annually.

Supporting documentation was not available to ensure Law Library Fund expenditures for debt service costs were in compliance with state law. In addition, accounting duties related to the Law Library Fund are not adequately segregated.

Included in the audit report are recommendations related to ticket accountability and juvenile division and drug court accounting controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Twentieth Judicial Circuit
Franklin County, Missouri

We have audited certain operations of the Twentieth Judicial Circuit, Franklin County, Missouri. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the judicial circuit has adequate internal controls over significant financial functions such as receipts.
2. Determine if the judicial circuit has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and Franklin County and was not subjected to the procedures applied in our audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Twentieth Judicial Circuit, Franklin County, Missouri.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Monique Williams, CPA
Audit Staff:	Jeanette Samson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Circuit Division Accounting Controls and Procedures
-----------	--

The Circuit Division has not established adequate procedures to ensure open items balances are reviewed and disbursed timely and the composition of receipt slips issued is reconciled to the composition of monies received and deposited. In addition, some copy monies are not turned over to the county but are used to replenish the petty cash fund which is not maintained at a constant amount. Furthermore, old outstanding checks have not been reviewed and disposed of timely.

- A. The Circuit Division does not have adequate procedures to review cases with open items (liabilities) and make timely disbursements. As of December 31, 2007, the Circuit Division had open items of \$1,516,146. The open items include garnishments, court costs and awards, and excess court deposits.

We noted several cases with old outstanding balances, including one case with no activity since 2002 which had a balance of \$3,682. Another case was dismissed on August 20, 2007; however, \$9,800 received on this case had not been disbursed as of March 26, 2008.

Our review of garnishment open items identified untimely disbursements of garnishment monies held by the Circuit Division. The court holds garnishment monies until 10 days after the return date of the garnishment up to a maximum of 190 days. Garnishment monies are paid out sooner if the defendant requests a payment in writing. In one case, garnishments totaling \$1,603 received by the court beginning November 8, 2007, had not been disbursed as of February 27, 2008. In a second case, \$1,866 was received from an employer on December 3, 2007, and had not been paid out as of March 26, 2008.

A procedure to routinely review case liabilities (or open items) and make more timely disbursements should be implemented. If proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court should perform a comprehensive review of old open items and dispose of monies as appropriate.

- B. The composition of receipt slips issued is not reconciled to the composition of monies received and deposited. In addition, the numerical sequence of receipt slips issued is not accounted for properly. Although a daily cashier session report is printed, no one ensures that all receipt numbers are accounted for.

For one daily cashier session report reviewed, we identified a discrepancy between the cash and check amounts recorded on the daily cashier report and the bank deposit slip. Information obtained from the bank indicated a \$25 check was received; however, the amount was recorded as cash on the daily cashier session report. This discrepancy was not detected by a supervisor during the end of day close out. Although the total amount of monies recorded on the daily cashier session report agreed with the total amount of the deposit, there was no assurance that monies received were deposited intact.

A documented review of the cash and check composition of monies received and the daily cashier session reports and the deposit slips is necessary to ensure that all monies received are deposited intact. To adequately account for collections and reduce the risk of loss, theft or misuse of funds, the numerical sequence of receipt slips issued should be accounted for.

- C. The Circuit Division retains a portion of copy monies received to replenish a petty cash fund that is not maintained at a constant amount. In addition, the Circuit Division does not record all copy monies received. A copy log is prepared for customers set up on direct bill; however, requests for copies from the general public are not recorded on the log.

Section 50.360, RSMo, requires copy monies to be turned over to the county. All copy monies received should be recorded, included in the court's daily deposit, and turned over to the county each month. If a petty cash fund is necessary, the fund should be replenished from county monies and maintained at a constant amount.

- D. The Circuit Division has not established procedures to routinely follow up on old outstanding checks. As of March 4, 2008, the court had 33 old outstanding checks totaling \$1,228 that were older than one year. Old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate outstanding checks after a specified time period. Old outstanding checks should be reissued to those payees who can be readily located. If payees cannot be located, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Division:

- A. Routinely review open items and disburse monies as appropriate. If the court is unable to locate the proper payees, monies should be disbursed in accordance with state law.
- B. Ensure the composition of receipt slips issued reconciles to the composition of monies received and deposited. The Circuit Division should also account for the numerical sequence of receipt slips issued.

- C. Ensure all copy monies received are recorded, included in the court's daily deposit, and transmitted to the county at least monthly as required by state law. If a petty cash fund is needed, the fund should be replenished from county monies and maintained at a constant amount.
- D. Establish procedures to periodically review outstanding checks and take appropriate action to resolve old outstanding checks on a timely basis. If the payees can be located, these checks should be reissued and any unclaimed checks should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *Based upon the limited amount of manpower, the open items listing has been reviewed and monies distributed accordingly. Prior to consolidation, the Franklin County Circuit Clerk held garnishment proceeds until after the return date of the garnishment. This is an acceptable method as per local court rule. This practice has changed with court consolidation. Garnishment proceeds are now held for ten days then disbursed to make certain that the garnishee's check is good. I believe it is important to substantiate why the garnishment proceeds were held until after the return date. 1. Motion to quash garnishment can be filed. 2. The check issued by the garnishee may be insufficient or payment has been stopped. 3. Notice of bankruptcy filed. 4. Judgment debtor files claim of exemption.*

With respect to award payments being held, the court does not act as a clearing house for the disbursement of cash awards. A very large percentage of the open items are a result of commissioners' awards from the many condemnation cases filed here in Franklin County. Once the commissioners file their report, the State Highway Department then deposits the awarded money into the registry of the court. That money is held on deposit until the party or their respective attorney files a request for disbursement. Likewise, bond money is held on deposit as per Local Court Rule 7, which orders the bond money held until the defendant has paid their court costs, fines, and restitution. In addition, this court now has several interpleader cases pending, wherein large sums of money have been deposited in the registry of the court; that money cannot be paid out until the court determines who the money belongs to.

- B. *The account clerk is now also checking the sequence of receipt numbers when she balances for the daily bank deposit. The account clerk is also verifying the amount of cash, checks, and money orders that are being deposited against what has actually been received in each cashier session.*
- C. *All money received for copying is turned over at month's end to our county treasurer. The money is first receipted into CBAMISC, so it will be receipted into the clerk's cashier session. As per our discussion, a copier code will be set up for all clerks to use for an accurate accounting for all copies made. That number will be reconciled to make certain*

that the amount of copies made equals the amount of cash received. The petty cash fund is reconciled each day to make certain that there is a daily balance of \$100. If any money is removed to purchase something, a receipt is placed in the drawer and a purchase order is submitted to our treasurer for repayment into the petty cash drawer.

- D. The outstanding checks are periodically checked and notices are sent to the recipients. If the recipient responds, a duplicate check is reissued. If no response is received, that amount is then turned over to the Missouri State Treasurer's office, Unclaimed Property Division. In October 2007, a total of \$5,047 was turned over to Unclaimed Property. We routinely perform this accounting duty and our only hindrance is the shortage of manpower to accomplish this task. I might add that the Franklin County Court has been approved for a total of 4.63 additional full-time employees, but the additional money has not been appropriated by the Missouri Legislature.*

In addition to the staffing shortages, during the course of this audit, the two circuit court divisions and the three associate circuit court divisions were in a transition to become consolidated into one office. We were also in the process of moving the two courthouses into a brand new judicial center. Since becoming a consolidated court in a brand new judicial center, many of the daily accounting practices have changed. In addition to some of the accounting changes, we have entered into an agreement to have the Office of State Courts Administrator perform our monthly bank reconciliation.

2. Associate Circuit Division VII Accounting Controls and Procedures

The composition of receipt slips issued is not reconciled to the composition of monies received and deposited. In addition, manual receipts are not accounted for properly and deposits are not made timely.

- A. The composition of receipt slips issued is not reconciled to the composition of monies received and deposited. We identified several discrepancies between the cash and check amounts recorded on the daily cashier session reports and the bank deposit slips. This was partially due to instances when an individual paid part of the amount with a check and part of the amount with cash and the court clerk just issued one receipt slip for either cash or check. In order to properly record such a receipt in the Justice Information System (JIS), the clerk would have to issue two receipt slips, one for the amount of cash received and one for the amount of the check. In other instances, the clerks simply entered the wrong method of payment into the computer system. None of these discrepancies were detected by a supervisor during the end of day close out. Although the total amount of monies recorded on the daily cashier session report in these situations agreed with the total amount deposited, there was no assurance that monies received were deposited intact.

A documented review of the cash and check composition of monies received and the daily cashier session reports and deposit slips is necessary to ensure that all monies received are deposited intact.

- B. Manual receipts are not accounted for properly. Manual receipt slips are issued for court payments accepted on the last day of the month during the close out procedures. These receipt slips are not pre-numbered and a copy is not retained for the court records. Monies received are placed in an envelope and filed with the case file until they are processed.

To adequately account for collections and reduce the risk of loss, theft or misuse of funds, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- C. Deposits are not made timely. Deposits are made every 2 to 3 days. The average deposit for the court for July 2007 was \$12,054. In addition, several checks in our cash count were almost a month old. To adequately account for collections and reduce the risk of loss, theft or misuse of funds, receipts should be deposited intact and on a timely basis.

WE RECOMMEND the Associate Circuit Division VII:

- A. Ensure the composition of receipt slips issued reconciles to the composition of monies received and deposited.
- B. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips. Receipts should be maintained in a secure location at all times.
- C. Deposit all receipts intact on a timely basis.

AUDITEE'S RESPONSE

The Associate Circuit Court Division VII Judge provided the following response:

We will change our procedures to resolve the issue with the composition problem and issuance of prenumbered receipts. We are depositing daily since we have become a consolidated court.

3. Associate Circuit Division VI Accounting Controls and Procedures
--

The composition of receipt slips issued is not reconciled to the composition of monies received and deposited. In addition, procedures have not been established to review and dispose of old outstanding checks.

- A. The composition of receipt slips issued is not reconciled to the composition of monies received and deposited. We identified several discrepancies between the cash and check amounts recorded on the daily cashier session reports and the bank deposit slips. This was partially due to instances when an individual paid part of the amount with a check and part of the amount with cash and the court clerk just issued one receipt slip for either cash or check. In order to properly record such a receipt in JIS, the clerk would have to issue two receipt slips, one for the amount of cash received and one for the amount of the check. In other instances, the clerks simply entered the wrong method of payment into the computer system. None of these discrepancies were detected by a supervisor during the end of day close out. Although the total amount of monies recorded on the daily cashier session report in these situations agreed with the total amount deposited, there was no assurance that monies received were deposited intact.

A documented review of the cash and check composition of monies received and the daily cashier session reports and the deposit slips is necessary to ensure that all monies received are deposited intact.

- B. The Associate Circuit Division VI has not established procedures to routinely follow up on old outstanding checks. As of April 1, 2008, the Division VI had six old outstanding checks totaling \$1,417 that were older than one year. Old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate outstanding checks after a specified time period. Old outstanding checks should be reissued to those payees who can be readily located. If payees cannot be located, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Associate Circuit Division VI:

- A. Ensure the composition of receipt slips issued reconciles to the composition of monies received and deposited.
- B. Establish procedures to periodically review outstanding checks and take appropriate action to resolve old outstanding checks on a timely basis. If the payees can be located, these checks should be reissued and any unclaimed checks should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Circuit Court Division VI Judge provided the following responses:

- A. *We are being careful to make sure this issue is resolved.*
- B. *We regularly follow up on these checks every month. However, in some instances checks may be outstanding for more than one year.*

4.**Sheriff Bonds**

Neither the Sheriff's Department nor the Circuit Court has established procedures to ensure that all bond monies are turned over to the various courts. A bond form and a prenumbered manual receipt slip are prepared by the Sheriff's Department for bonds accepted; however, neither the bond forms nor the receipt slips are accounted for, and therefore, the court has no assurance that all bonds received by the Sheriff's Department have been turned over to the court. Bond receipt books are not utilized in sequential order. In addition, duplicate copies of the receipt slips are filed in the inmate files and inmate files are destroyed annually. As a result, the numerical sequence of receipt slips cannot be accounted for. Bond forms are not prenumbered.

To reduce the risk of loss, theft or misuse of funds, bond receipt slips should be issued sequentially and copies retained in a manner that the numerical sequence can be accounted for. In addition, the court should ensure it receives all bonds due to the court.

WE RECOMMEND the Sheriff's Department and the Circuit Court establish and implement procedures to issue receipt slips for bonds in sequential order and account for the numerical sequence of receipt slips issued. In addition, the court should ensure it receives all bonds due to the court.

AUDITEE'S RESPONSE

The Associate Circuit Court Division VII Judge provided the following response:

We will attempt to implement this recommendation.

5.**Law Library Accounting Controls and Procedures**

Supporting documentation was not available to ensure Law Library Fund expenditures for debt service costs were in compliance with state law. In addition, accounting duties related to the Law Library Fund are not adequately segregated.

- A. Supporting documentation was not available to ensure Law Library Fund expenditures for debt service costs were in compliance with state law. In January 2007, the Court En Banc, which is comprised of all of the judges serving the circuit, agreed to disburse \$70,000 annually for twenty years from the Law Library Fund to pay debt related to the construction of a new court building. Franklin County issued Certificates of Participation to finance a new court building, a new government center, and a road and bridge project. The total combined debt is estimated at \$32,444,349 with additional financing of \$13,000,000 to be provided sometime during 2008 and 2009. The portion of this debt related to the new court building is estimated at \$12,669,518. Franklin

County and the Circuit Court were unable to provide documentation to support the \$70,000 annual allocation to the Law Library Fund.

Law Library monies are provided from civil court costs. Section 488.429, RSMo, allows Law Library monies to be used to pay debt service on county bonds issued for courtroom renovation or enhancement projects; however, it is unclear whether the amount being paid from the Law Library Fund is strictly related to the construction of the new courtrooms.

- B. Accounting duties related to the Law Library Fund are not adequately segregated. The presiding judge's secretary performs the bank reconciliation, prepares the deposits, and writes monthly checks to pay bills. There has not been an independent review of the account since December 31, 2005. Internal controls would be improved by segregating the duties of receiving and depositing monies from the duty of reconciling the account. If proper segregation of duties cannot be achieved, at a minimum, periodic reviews of the records should be performed by an independent individual and documented.

WE RECOMMEND the Court En Banc:

- A. Ensure Law Library monies are expended in compliance with state law. In addition, adequate supporting documentation should be maintained.
- B. Ensure accounting duties related to the Law Library Fund are adequately segregated or independent reviews are performed periodically.

AUDITEE'S RESPONSE

The Presiding Circuit Judge provided the following responses:

- A. *We have entered into an agreement with the county stating that Law Library monies will be used on courtroom expenditures only. We will check with the architect to see if they can provide a breakdown of the cost of the courtroom and technology of this new building.*
- B. *We will segregate the duties on a monthly basis by requiring the bank reconciliations to be prepared by an independent person.*

6. Juvenile Division Accounting Controls and Procedures
--

The Juvenile Division has not established procedures to routinely follow up on old outstanding checks. As of April 14, 2008, the Juvenile Division had 39 old outstanding checks totaling \$2,658 that were over one year old. Old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate outstanding checks after a specified time period. Old

outstanding checks should be reissued to those payees who can be readily located. If payees cannot be located, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Juvenile Division establish procedures to periodically review outstanding checks and take appropriate action to resolve old outstanding checks on a timely basis. If the payees can be located, these checks should be reissued and any unclaimed checks should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Juvenile Officer provided the following response:

The old outstanding checks have been remitted to the State Treasurer's office. We will review old outstanding checks every six months.

7. Ticket Accountability

Neither the Sheriff's Department nor the Circuit Court could account for the numerical sequence of tickets issued. Without a proper accounting for the numerical sequence and ultimate disposition of the tickets, the Circuit Court cannot be assured that all tickets issued were properly submitted for processing. A record should be maintained which accounts for the ultimate disposition of each ticket to ensure all tickets have been accounted for properly.

WE RECOMMEND the Circuit Court work with the Prosecuting Attorney and the Sheriff's Department to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Associate Circuit Court Division VI and VII judges provided the following response:

The issue raised in this finding is not one that this court can resolve at this time.

8. Drug Court Accounting Controls and Procedures

Receipt slips were not issued for all monies received and were not accounted for properly, deposits were not made timely, and monthly bank reconciliations were not prepared.

- A. The Associate Circuit Division VII did not prepare a formal bank reconciliation for the Drug Court Account. The deputy clerk responsible for the Drug Court Account reviewed the checks that cleared and compared the bank statement

balance with the checkbook balance and ensured they agreed; however, this review was not documented. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely.

- B. The following concerns were noted during our review of cash receipts.
1. The Associate Circuit Division VII did not issue receipt slips for donations, refunds, and checks received from the County Treasurer for the Drug Court. In addition, Drug Court receipt slips were not accounted for properly. Drug Court receipt books were not utilized sequentially and copies of the receipt slips issued were not retained. The Drug Court account was transferred to the Drug Court Administrator in January 2008. Drug Court receipt slips are currently issued from JIS.
 2. Deposits were not made timely. Drug Court deposits were made on a monthly basis. The September 2007 deposit for the Drug Court was \$1,687.

To adequately account for collections and reduce the risk of loss, theft or misuse of funds, receipt slips should be issued for all monies received, the numerical sequence of receipt slips should be accounted for properly, and receipts should be deposited on a timely basis.

WE RECOMMEND the Drug Court Administrator:

- A. Establish procedures to prepare a formal bank reconciliation for the Drug Court bank account.
- B. Issue pre-numbered receipt slips for all monies received, account for the numerical sequence of receipt slips, and deposit all receipts intact on a timely basis. The Drug Court receipt books should be utilized in sequential order.

AUDITEE'S RESPONSE

The Associate Circuit Court Division VII Judge and the Drug Court Administrator provided the following response:

We have implemented these recommendations.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Twentieth Judicial Circuit consists of Franklin County as well as Gasconade and Osage Counties.

The Twentieth Judicial Circuit consists of two circuit judges and five associate circuit judges. The circuit judges hear cases throughout the circuit. One circuit judge also serves as presiding circuit judge and is responsible for administration of the circuit. Of the five associate circuit judges, three are located in Franklin County and preside over the Associate Circuit Court, (Divisions VI and VII) and the Probate Court (Division V). One associate judge is located in Gasconade County and one in Osage County.

In addition to the judges, the personnel of the Twentieth Judicial Circuit, Franklin County, Missouri, include a circuit clerk, two associate division clerks, a probate division clerk, twenty-one deputy clerks, a juvenile officer, fourteen deputy juvenile officers, two court reporters, one secretary, and nine full-time juvenile office support staff. The circuit personnel for the other counties within the circuit are reported on separately.

The Juvenile Officer's home base is Franklin County, but he also serves residents of Gasconade and Osage Counties.

Operating Costs

Operating expenses of the various courts are paid by Franklin County. The operating expenses for the juvenile office personnel are paid for by the various counties within the circuit based on the percentage of the county's population to the total circuit population.

Salaries of the court personnel are paid by the state of Missouri.

Receipts

Receipts of the Twentieth Judicial Circuit, Franklin County, were as follows:

	Year Ended December 31,	
	2007	2006
Court deposits, fees, bonds, and other	\$ 6,043,017	5,857,795
Interest income	14,754	10,779
Total	\$ <u>6,057,771</u>	<u>5,868,574</u>

Caseload and Time Standards Statistics

From the Office of State Courts Administrator Missouri Judicial Reports, caseload statistics of the filings and dispositions of the Twentieth Judicial Circuit, Franklin County, were as follows:

	Year Ended June 30,			
	2007		2006	
	Filings	Dispositions	Filings	Dispositions
Civil	4,818	4,659	4,428	4,367
Criminal	9,610	9,385	9,576	9,578
Juvenile	250	217	310	275
Probate	159	146	181	130
Total	14,837	14,407	14,495	14,350

From the Office of State Courts Administrator Missouri Judicial Report for fiscal year 2007, statistics on compliance of the Twentieth Judicial Circuit, Franklin County, with time standards for disposition of certain types of cases were as follows:

Type of Case	Time Standard	Twentieth Judicial Circuit Franklin County, Missouri	State Total
Circuit Civil	90 % in 18 months	75 %	77 %
	98 % in 24 months	85	88
Domestic Relations	90 % in 8 months	81	84
	98 % in 12 months	90	91
Associate Civil	90 % in 6 months	86	87
	98 % in 12 months	98	97
Circuit Felony	90 % in 8 months	68	81
	98 % in 12 months	84	90
Associate Criminal	90 % in 4 months	55	71
	98 % in 6 months	72	85

Personnel

At December 31, 2007, the judges, Circuit Clerk, and Juvenile Officer of the Twentieth Judicial Circuit, Franklin County, Missouri were as follows:

Circuit Court Judges:

Gael D. Wood, Division I
Cynthia M. Eckelkamp, Division II

Associate Circuit Judges:

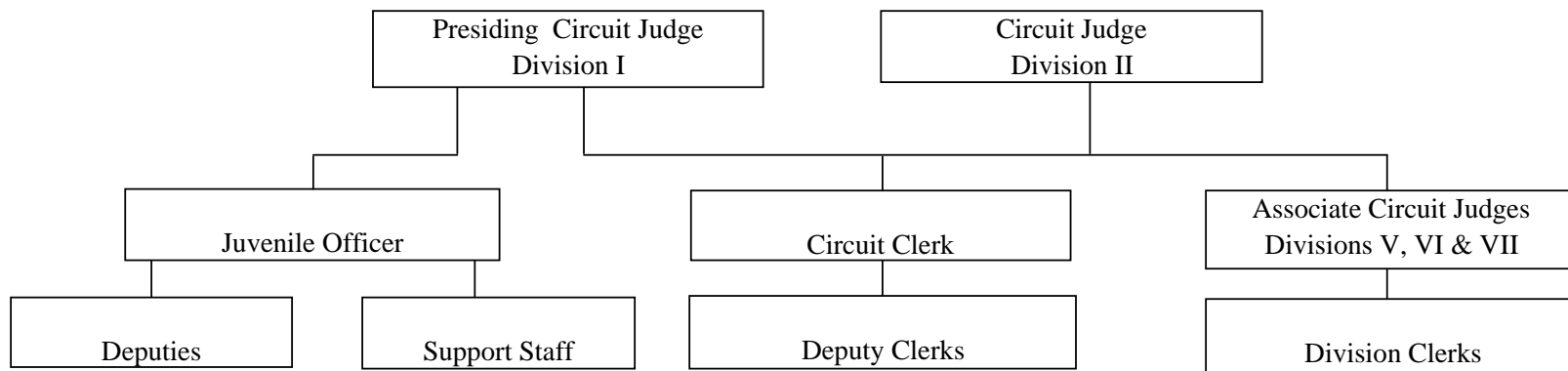
David B. Tobben, Division V
David L. Hoven, Division VI
Stanley D. Williams, Division VII

William D. Miller, Circuit Clerk

Gerald E. Poepsel, Chief Juvenile Officer

An organization chart follows:

TWENTIETH JUDICIAL CIRCUIT
FRANKLIN COUNTY
ORGANIZATION CHART
DECEMBER 31, 2007





Susan Montee, CPA
Missouri State Auditor

Twenty-Fifth Judicial Circuit

City of Rolla Municipal Division



September 2008

Report No. 2008-63

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

An audit was conducted by our office of the Twenty-Fifth Judicial Circuit, city of Rolla Municipal Division.

The municipal division needs to improve some accounting controls, records, and procedures. Bond forms are not prenumbered, old outstanding checks are not followed-up on a timely basis, there is limited action to collect delinquent accounts after a warrant is issued, and defendants are not required to sign a written agreement when fines and court costs are paid over time. In addition, the municipal division does not file a monthly report with the city of all cases heard in court as required by state law. Further, the municipal division and the police department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets issued.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-FIFTH JUDICIAL CIRCUIT
CITY OF ROLLA
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Fifth Judicial Circuit
and
Municipal Judge
Rolla, Missouri

We have audited certain operations of the city of Rolla Municipal Division of the Twenty-Fifth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Rolla Municipal Division of the Twenty-Fifth Judicial Circuit.

A petition audit of the city of Rolla, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Kim Magner

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-FIFTH JUDICIAL CIRCUIT
CITY OF ROLLA
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls, Records, and Procedures
--

The municipal division needs to improve some accounting controls, records, and procedures. Bond forms are not prenumbered, old outstanding checks are not followed-up on a timely basis, there is limited action to collect delinquent accounts after a warrant is issued, and defendants are not required to sign a written agreement when fines and court costs are paid over time. In addition, the municipal division does not file a monthly report with the city of all cases heard in court.

- A. Although prenumbered receipt slips are issued for bond monies, bond forms are not prenumbered. To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance that all bond monies are accounted for properly, prenumbered bond forms should be used and procedures to account for the numerical sequence of bond forms should be established.
- B. The municipal division did not follow-up on bond outstanding checks on a timely basis. At April 30, 2008, the division's bond bank account reconciliation showed three checks, totaling over \$400, were outstanding more than one year.

Old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, these monies should be disposed of in accordance with state law.

Section 447.595, RSMo, requires bonds remaining unclaimed for one year after disposition of the case to be turned over to the state's Unclaimed Property Section.

- C. The municipal division needs to consider additional steps to collect delinquent accounts. Defendants are allowed to pay fines and court costs over a period of time, and a comprehensive control ledger showing the total amounts owed by defendants is maintained. Once the municipal division issues a warrant, the division takes limited action to collect the unpaid fines and court costs. According to court personnel, they periodically remove deceased individuals from the ledger.

On June 6, 2008, the control ledger showed cases, some dating back 15 years, with 453 defendants owing almost \$108,000. Over 390 of these defendants had either never made a payment or had not made a payment in the past year. These defendants owed \$93,925 or 87 percent of the total amount due.

Procedures should be instituted to periodically review the delinquent cases to determine the division's ability to collect these unpaid amounts. Old inactive case balances increase the volume of cases which must be monitored and controlled. In addition, timely follow-up action of amounts due to the division helps maximize revenues. The division should review those cases which are delinquent and take action to collect any amounts determined to be collectible.

- D. Defendants are not required to sign a written agreement stating they will pay all fines and court costs due to the court when the judge allows the defendant to pay at a later date. Although the judge makes a notation in the defendant's case file which states the total amount due, the payment amount, and the due date, the defendants should be required to sign an agreement to pay the amount due to ensure they are fully aware of their obligation.
- E. The Court Clerk does not file a monthly report with the city of all cases heard in court. The division's monthly report to the City Administrator only includes a list of the fines and court costs collected.

Section 479.080, RSMo, provides that all fines and court costs shall be paid to and deposited monthly into the city treasury, and requires the Court Clerk to prepare a monthly listing of all cases heard in court.

A monthly listing of all cases heard in court, including fines and court costs collected, should be prepared and verified by the clerk or judge, and filed with the City Administrator. This listing should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).

WE RECOMMEND the city of Rolla Municipal Division:

- A. Along with the Police Department issue prenumbered bond forms for all bonds received and establish procedures to account for the numerical sequence of bond forms.
- B. Establish procedures to routinely follow-up on old outstanding checks. The Municipal Division should reissue the checks if the payees can be readily located or dispose of these monies in accordance with state law.
- C. Establish procedures to periodically review delinquent cases to determine the division's ability to collect these unpaid amounts, and take action to collect any amounts determined to be collectible.
- D. Require defendants to sign a written agreement specifying the amount they have been ordered to pay to the court.

- E. Prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

A,B,
&E. *These recommendations have been implemented.*

- C. *The Municipal Division has an aggressive, consistent procedure for collection of delinquent accounts. If a defendant fails to pay the full amount ordered by the court by the date ordered, the court issues a follow-up order requiring the defendant to reappear in court and show cause why the defendant should not be held in contempt for failure to pay. The court continues to monitor and require a defendant's personal appearance for nonpayment until the defendant pays in full the amount owed.*

If the defendant fails to appear in court when ordered to do so, the court issues a warrant for the defendant's arrest. In addition, when permitted by law, the court places a hold upon the defendant's driver's license and further issues an order suspending the defendant's driver's license. The defendant is notified of the issuance of the warrant, the driver's license hold and driver's license suspension.

Collection efforts by the use of the above procedures have been highly successful. The collection rate of fines and costs of Rolla Municipal Court is in excess of 96 percent.

Some defendants are simply not going to be in a position to pay fines and costs ordered by the court, regardless of the collection procedures used. For example, some defendants are sentenced to prison on unrelated charges, and thus are unable to pay any amounts ordered by any court. By utilizing the above collection procedures, the number of defendants who fail to pay their fines and costs is minimized in comparison to the tens of thousand of defendants who pay their fines and costs in full. The court will continue to employ a firm and consistent collection policy for collection of fines and costs ordered by the court, and as in the past will be open to new procedures which become available for enforcing payment.

- D. *Missouri Supreme Court rule 37.65 governs assessment of fines to be paid on an installment basis. The rule makes no provision for requiring defendants to sign a "written agreement stating they will pay all fines and court costs due the court." Rolla Municipal Court utilizes the same procedure as that used by most other courts in this and surrounding counties, which consists of providing the defendant written notification of*

the fine schedule ordered by the court. If the fine is not timely paid, then the collection procedure previously described is used to enforce the court's order.

2.

Ticket Accountability

The municipal division and the police department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department only tracks the ticket numbers assigned to each officer. After police officers return issued and voided tickets to their direct supervisor for review, the tickets are recorded in a computerized ticket log by issuing officer. However, these logs are not reviewed to ensure all tickets are accounted for, and the disposition of the tickets is not logged. In addition, it appears the computer system may have the capability of producing a report of all tickets issued; however, this feature is not being used.

Because there is no accounting for the numerical sequence or disposition of traffic tickets, missing tickets are not discovered. For example, two tickets written in February 2008, were not submitted to the court until June 2008. For both tickets, the scheduled court date was prior to the date the ticket was received by the court. As a result, these tickets were not placed on the proper court docket. Also, the applicable fees and court cost were not paid by the defendants. The division's procedure is to issue a summons to appear to any person who had not paid their fees and court costs on time. Because the division was not aware of these tickets, a summons to appear was not issued. Additionally, there were other instances when tickets were received and processed by the court, but were never recorded on the ticket log maintained by the Police Department.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the municipal division and the police department cannot be assured that all tickets assigned and issued are properly submitted to the municipal division for processing. A log listing ticket books assigned each officer, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the municipal division for processing, properly voided, or not prosecuted. This log should be reviewed periodically for missing numbers. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the Municipal Division work with the Police Department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following response:

Section 300.575, Missouri Revised Statutes provides that the municipality shall provide books of uniform traffic tickets to the chief of police or his duly authorized agent. The statute then states as follows:

The chief of police shall be responsible for the issuance of such books to individual members of the police department. The chief of police shall require a written receipt for every book so issued and shall maintain a record of every such book and each set of citations contained therein.

The court has asked the police department to carefully account for each citation contained in all books of traffic tickets issued to the police department, and will provide all information requested by the police department in connection with its accounting procedures.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTH-FIFTH JUDICIAL CIRCUIT
CITY OF ROLLA
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Rolla Municipal Division is in the Twenty-Fifth Judicial Circuit, which consists of Maries, Phelps, Pulaski, and Texas Counties. The Honorable Mary Sheffield serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At September 30, 2007, the municipal division employees were as follows:

Municipal Judge	William E. Hickle
Court Clerk	Rita Duvall
Deputy Court Clerk	ReLauun Smith

Financial and Caseload Information

	<u>Year Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$160,285	205,274
Number of cases filed	1,894	3,915
Overtime parking tickets issued	1,898	2,939



Susan Montee, CPA
Missouri State Auditor

City of St. Louis Board of Aldermen



September 2008
Report No. 2008-62

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following findings were included in our audit report on the City of St. Louis Board of Aldermen.

The Board of Aldermen accountable expense reimbursement policy needs to be improved. The policy allows several items to be reimbursed that do not appear to be prudent uses of taxpayer monies. In addition, some accountable expense plan reimbursement requests were not submitted in a timely manner and adequate supporting documentation was not received or retained for some expense reimbursements. Each alderman is allocated \$4,200 annually to be used on expense account items, such as charitable contributions, office expenses, flowers and gifts, lobbying expenses, and travel expenses. During the 22 months ended April 30, 2008, eleven aldermen elected the accountable expense plan and were required to submit documentation for expense reimbursements.

The Board of Aldermen President used his city-owned vehicle for personal use and did not maintain vehicle usage logs to document official commuting and personal use of the vehicle. Without adequate usage logs, the board cannot effectively monitor that the vehicle is used only for official business.

The Board of Aldermen minutes are prepared and signed by the clerk/legal counsel; however, they are not signed by a member of the Board of Aldermen. In addition, reasons and the vote for closing meetings are not documented in the minutes of the open meeting. Also, the closed meeting minutes did not include sufficient detail of matters discussed and actions taken.

The Board of Aldermen considers all 15 of its employees exempt from the overtime and compensatory time provisions of the Fair Labor Standards Act (FLSA) and, therefore, not entitled to overtime compensation. However, several of these employees may not be exempt from these provisions. The board should review its overtime classifications of employees and, if necessary, consult with the U.S. Department of Labor to ensure compliance with the FLSA.

The Board of Aldermen should review procedures for approval of reimbursement of personal cellular telephone usage. In February 1997, the Board of Aldermen passed an ordinance prohibiting the possession or use of city-owned cellular telephones except for those designated by resolution of the Board of Aldermen. However, various city departments currently reimburse employees for use of their personal cellular telephones and approval by the Board of Aldermen for employees to receive this reimbursement is not required.

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YELLOW SHEET

CITY OF ST. LOUIS
BOARD OF ALDERMEN

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

To the Board of Aldermen
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Board of Aldermen. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the board has adequate internal controls over significant management and financial functions.
3. Determine if the board has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board of Aldermen, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Board of Aldermen.

Additional audits of various officials and departments of the city of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
In-Charge Auditor:	Carl Zilch
Audit Staff:	Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
BOARD OF ALDERMEN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Elected Officials' Allowances
-----------	--------------------------------------

The Board of Aldermen policy on expense reimbursement allows several items to be reimbursed which do not appear to be prudent uses of taxpayer monies. In addition, documentation of the purpose and individuals who attended meetings is not required for meal reimbursements. Some expense reimbursement requests did not include adequate supporting documentation and several were not submitted timely.

The Board of Aldermen can choose to receive elected officials' allowances as either accountable or non-accountable plans. If the official chooses an accountable plan he/she submits documentation for the expense and the reimbursement is not reported as taxable additional compensation. If the official chooses the non-accountable plan, the full approved allowance amount is received and supporting documentation is not required. The amount is considered taxable additional compensation.

A. The Board of Aldermen policy on expense reimbursement allows several items to be reimbursed which do not appear to be prudent uses of taxpayer monies and does not require adequate documentation for some reimbursements. City Revised Code Section 5.19.020 establishes the accountable expense accounts. The City Code indicates each alderman is to receive \$4,200 annually to be used on expense account items. The City Code allows reimbursement for items such as charitable contributions, office expenses, flowers and gifts, lobbying expenses, and travel expenses. During the 22 months ended April 30, 2008, eleven aldermen elected the accountable expense plan and were required to submit documentation for expense reimbursements.

1. Seven aldermen submitted reimbursement requests totaling approximately \$10,600 for donations and charitable contributions. The City Code also allows for reimbursement of flowers, gifts, and lobbying. These expenses do not appear to be prudent and necessary uses of public funds.

In addition, donations and contributions may be in violation of Article VI, Section 23, of the Missouri Constitution which specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

2. Although aldermen submitted receipts for meal purchases, the business purpose of the meeting and the individuals present were not documented. The City Code does not specifically require the submission of receipts and

documentation of business purpose and individuals present for meal purchases. In addition, one meal reimbursement reviewed included the purchase of alcohol.

Without detailed supporting documentation including the business purpose and individuals present at the meeting, the city cannot determine if the payments were reasonable and necessary uses of public funds. In addition, the purchase of alcohol does not appear to be a prudent and necessary use of public funds.

3. Adequate supporting documentation was not received or retained for some expense account reimbursements. The City Code does not specifically indicate the type of supporting documentation required for reimbursement. One alderman submitted reimbursement requests for the 22 months ended April 30, 2008, for a car allowance totaling approximately \$1,400 with no supporting documentation. In addition, this alderman also submitted an expense reimbursement request for printing and mailing of a newsletter totaling approximately \$5,200. Adequate documentation was not filed with the request and was not provided to us on a timely basis.

The board should require all aldermen to submit invoices or other supporting documentation for all expense account reimbursements.

- B. Some accountable expense plan reimbursement requests were not submitted in a timely manner. Several aldermen submitted requests which covered six to seven months of expenses. One alderman submitted a request covering a two year time period. To adequately monitor expense reimbursements and ensure expenses are charged to the correct fiscal year, the board should require aldermen to submit reimbursement requests on a monthly basis.

WE RECOMMEND the Board of Aldermen:

- A.1. Discontinue the practice of reimbursing for charitable contributions, lobbying expenses, gifts, and flowers.
 2. Require the business purpose and names of individuals attending meetings be documented on meal receipts. In addition, the Board of Aldermen should consider banning reimbursement for the purchase of alcohol.
 3. Specifically address in the City Code supporting documentation requirements for expense account reimbursements.
- B. Require the submission of expense account reimbursement requests on a monthly basis.

AUDITEE'S RESPONSE

- A.1. *Ordinance 61090 was approved on November 1988 which required reporting the use of expenditures. The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*
2. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*
3. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies. The Board of Aldermen Ways and Means Committee will offer training to the aldermen and staff regarding appropriate documentation of expenses. Additional supporting documentation has been submitted for the expense account reimbursements regarding the newsletter costs.*
- B. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*

2. Vehicle

The Board of Aldermen President used his city-owned vehicle for personal use and did not maintain vehicle usage logs to document commuting and personal use of the vehicle. The Board of Aldermen President estimated personal usage of 3,262 miles and commuting usage of 858 miles on his W-2 form as additional compensation in 2007. The Board of Aldermen President does not maintain a vehicle usage log to document miles driven for official, commuting, and personal use.

The city vehicle policy manual states that city vehicles may not be used for personal business. Without adequate usage logs, the Board of Aldermen cannot effectively monitor that the vehicle is used for official business only. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by the board to ensure the vehicle is used only for city business.

WE RECOMMEND the Board of Aldermen discontinue allowing the Board President to use a city-owned vehicle for personal use. In addition, the Board of Aldermen should require the preparation of usage logs for the vehicle and ensure these logs are properly reviewed.

AUDITEE'S RESPONSE

The Board of Aldermen will take this recommendation under consideration and review the City Vehicle Policy Manual in regards to personal use of vehicles by elected officials.

The Board of Aldermen minutes are not signed by a member of the board to attest to their accuracy. The reasons and votes for closing a meeting are not documented in the minutes of the open meeting. In addition, the minutes of the closed meetings are not adequate and the decisions made during closed session are not disclosed in open session.

- A. The Board of Aldermen minutes are prepared and signed by the clerk/legal counsel; however, they are not signed by a member of the Board of Aldermen. The minutes should be signed by a member of the board upon approval to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the meeting.
- B. Reasons and the vote for closing meetings are not documented in the minutes of the open meeting. The board went into closed session five times during the period of July 2006 through April 2008. Open session minutes did not provide any indication of the board voting to close the meetings or the specific reason for closing the meetings. The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.
- C. The Board of Aldermen closed meeting minutes are not adequate. The closed meeting minutes did not include sufficient detail of matters discussed and actions taken. The only closed meeting minutes were roll call sheets with brief descriptions and the record of the vote by the board. It was often difficult to understand what was being voted on and the final decision of the board. In addition, decisions made during closed session were not disclosed in open session as required.

Section 610.020, RSMo, requires minutes of closed meetings to be taken and retained by all governmental bodies and to indicate the date, time, place, members present, members absent, and a record of votes taken. Minutes of closed meetings constitute the record of proceedings of the board. They help show that the closed discussions or business related to the specific reason announced for closing the meeting and document important facts considered in reaching significant decisions regarding city business. In addition, the law requires votes taken in closed session to be disclosed in open session.

WE RECOMMEND the Board of Aldermen:

- A. Ensure the minutes are signed by the preparer and a board member to attest to their completeness and accuracy.
- B. Ensure the reason and vote for closing a session is documented in the open minutes.

- C. Ensure minutes of closed meetings clearly document all business conducted and the votes taken in closed session are disclosed in open session.

AUDITEE'S RESPONSE

- A. *The Board of Aldermen will examine having the Chairman of the Engrossment, Rules, Resolutions and Credentials Committee sign the minutes in addition to the clerk/legal counsel.*
- B. *The Board of Aldermen is currently documenting the reason and vote for closing a session in the open minutes.*
- C. *The Board of Aldermen presently discloses any votes taken and business conducted in closed session to any party that requests the information; therefore, such information is made available pursuant to Section 610.021(3) of the Missouri Sunshine Law. The Board of Aldermen will investigate having the votes of closed minutes documented in the minutes.*

4. Personnel Policies

The Board of Aldermen considers all 15 of its employees exempt from the overtime and compensatory time provisions of the Fair Labor Standards Act (FLSA) and, therefore, not entitled to overtime compensation. However, several of these employees may not be exempt from these provisions. Board of Aldermen employees are considered non-civil service employees; however, similar civil service positions in the city are considered non-exempt. The FLSA requires the city to pay overtime or provide compensatory time at time and a half to any non-exempt employees who work more than 40 hours during a normal work week.

The board should review its overtime classifications of employees and, if necessary, consult with the U.S. Department of Labor to ensure compliance with the FLSA.

WE RECOMMEND the Board of Aldermen review the classification of its employees and its current overtime and compensatory time policies to ensure such policies comply with the FLSA.

AUDITEE'S RESPONSE

The Board of Aldermen will review the classification of employees and its current overtime and compensatory time policies regarding compliance with the Fair Labor Standards Act.

5.**Cellular Telephones**

Procedures for approval of cellular telephone usage could be improved. In February 1997, the Board of Aldermen passed ordinance 63999 which prohibits the possession or use of city-owned cellular telephones by any official or employee of the city of St. Louis except for those designated by resolution of the Board of Aldermen. However, various city departments currently reimburse employees for use of their personal cellular telephones and approval by the Board of Aldermen for employees to receive this reimbursement is not required.

To ensure cellular telephone reimbursements are reasonable and necessary, the board should revise its policy to require approval by the board of all employees who are to receive reimbursement for use of their personal cellular telephones.

WE RECOMMEND the Board of Aldermen revise its policy to require approval by the board for reimbursement of personal cellular telephone usage.

AUDITEE'S RESPONSE

The Board of Aldermen will examine Ordinance 63999 and possibly amend the ordinance to require Board of Aldermen approval for city reimbursement of personal cellular telephones.

HISTORY AND ORGANIZATION

CITY OF ST LOUIS
BOARD OF ALDERMEN
HISTORY AND ORGANIZATION

The Board of Aldermen is the law making body of the city of St. Louis. The Board consists of 28 aldermen, elected by the voters of their respective wards, and a President, who is elected by a citywide vote. The members are elected for 4-year terms.

Lewis Reed currently serves as the President of the Board of Aldermen for the city of St. Louis. He has served in that capacity since April 2007. James Shrewsbury was the previous Board President.

Board of Aldermen	Dates of Service During the Year Ended June 30, 2007
Lewis Reed, Board President	April 2007 – June 2007
James Shrewsbury, Board President	July 2006 – April 2007
Charles Troupe, Ward 1 Alderman	July 2006 – June 2007
Dionne Flowers, Ward 2 Alderman	July 2006 – June 2007
Freeman Bosley, Ward 3 Alderman	July 2006 – June 2007
Samuel Moore, Ward 4 Alderman	April 2007 – June 2007
O.L. Shelton, Ward 4 Alderman	July 2006 – April 2007
April Ford Griffin, Ward 5 Alderman	July 2006 – June 2007
Kacie Starr Triplett, Ward 6 Alderman	April 2007 – June 2007
Lewis Reed, Ward 6 Alderman	July 2006 – April 2007
Phyllis Young, Ward 7 Alderman	July 2006 – June 2007
Stephen Conway, Ward 8 Alderman	July 2006 – June 2007
Kenneth Ortmann, Ward 9 Alderman	July 2006 – June 2007
Joseph Vollmer, Ward 10 Alderman	July 2006 – June 2007
Matt Villa, Ward 11 Alderman	July 2006 – June 2007
Fred Heitert, Ward 12 Alderman	July 2006 – June 2007
Alfred Wessels, Ward 13 Alderman	July 2006 – June 2007
Stephen Gregali, Ward 14 Alderman	July 2006 – June 2007
Jennifer Florida, Ward 15 Alderman	July 2006 – June 2007
Donna Baringer, Ward 16 Alderman	July 2006 – June 2007
Joseph Roddy, Ward 17 Alderman	July 2006 – June 2007
Terry Kennedy, Ward 18 Alderman	July 2006 – June 2007
Marlene Davis, Ward 19 Alderman	April 2007 – June 2007
Michael McMillan, Ward 19 Alderman	July 2006 – December 2006
Craig Schmid, Ward 20 Alderman	July 2006 – June 2007
Bennice Jones King, Ward 21 Alderman	July 2006 – June 2007
Jeffrey Boyd, Ward 22 Alderman	July 2006 – June 2007
Kathleen Hanrahan, Ward 23 Alderman	July 2006 – June 2007
William Waterhouse, Ward 24 Alderman	July 2006 – June 2007
Dorothy Kirner, Ward 25 Alderman	July 2006 – June 2007
Frank Williamson, Ward 26 Alderman	July 2006 – June 2007
Gregory Carter, Ward 27 Alderman	July 2006 – June 2007
Lyda Krewson, Ward 28 Alderman	July 2006 – June 2007

David Sweeney serves as the clerk/legal counsel for the Board of Aldermen and Tom Shepard serves as the Chief of Staff to the President of the Board of Aldermen. The Board of Aldermen had 13 additional employees on June 30, 2007.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis Board of Public Service



September 2008
Report No. 2008-61

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following findings were included in our audit report on the City of St. Louis Board of Public Service.

The city's revised code for motor vehicle policies is outdated, and a new ordinance is needed to clarify which official, board, or department should have overall rulemaking and policy enforcement authority. The Equipment Services Division (ESD) of the Board of Public Service has not been able to complete annual vehicle assignment reports because most city departments were not providing the required information. According to ESD personnel, after two years of unresponsiveness the Mayor's office informed the ESD that this annual report was no longer necessary, and the ESD no longer attempts to obtain the information required to complete this report. This report would aid the city in determining the proper size of the city's fleet, which employees should be assigned vehicles for commuting purposes, and whether the city's vehicle costs are reasonable or whether the city should consider more affordable alternatives. In addition, there is no policy to require usage logs for city vehicles.

In April 2007, the city purchased vehicles for two newly-elected officials. The President of the Board of Aldermen received a sedan that cost \$25,567, with options that included a heated leather steering wheel, heated front driver and passenger seats, a luxury package, and a comfort and convenience package. The Recorder of Deeds also received a sedan with similar options at a similar price. Many of these options appear unnecessary and would add to the price of the vehicle, and the city should consider adopting a policy to limit vehicle options to those considered reasonable and necessary.

The ESD provides fuel and vehicle maintenance services to most other city departments and incurred total expenditures of approximately \$12 million for the year ended June 30, 2007. The city should establish an internal service fund for the ESD, in which the cost of providing fuel and services is billed to and paid by the applicable city departments. During the three years ended June 30, 2007, the ESD's actual expenditures exceeded budgeted amounts by a total of approximately \$2 million. If the city established an internal service fund, each city department would be responsible for budgeting and paying for their share of fuel and vehicle maintenance expenses, which could provide additional assurance that fuel and vehicle maintenance costs are reasonable and necessary.

The ESD does not reconcile diesel fuel purchased to fuel used, and better security is needed over liquid inventories (such as motor oil and antifreeze) in the maintenance garages.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
President of the Board of Public Service
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Board of Public Service. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the board has adequate internal controls over significant management and financial functions.
3. Determine if the board has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the board, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting

instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Board of Public Service.

Additional audits of various officials and departments of the city of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Toni Wade

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	City Vehicle Policies
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The city's revised code for motor vehicle policies is outdated, and a new ordinance is needed to clarify which official, board, or department should have overall rulemaking and policy enforcement authority. The city's Vehicle Policy Manual requires preparation of an annual vehicle assignment report, but this report is no longer prepared. New vehicles purchased for two newly-elected officials in 2007 contained options that appear to be luxuries or unnecessary, and the city does not have a policy requiring mileage logs for city vehicles.

- A. St. Louis City Revised Code Section 3.54.060 gives the city's Comptroller the authority to establish rules for motor vehicles; however, the Comptroller no longer establishes rules under this code. The city's Vehicle Policy Manual, which is intended to be binding to all city departments and elected officials, is signed by the Board of Estimate and Apportionment which is made up of the Mayor, the Comptroller, and the President of the Board of Aldermen; however, the policy manual does not state that the Board of Estimate and Apportionment has the authority to ensure that the applicable policies are followed. The Equipment Services Division (ESD) was established and placed under the President of the Board of Public Service (BPS). While the ESD does not establish policy, it has been given the majority of the responsibilities outlined in the Vehicle Policy Manual.

The city should determine which official, board, or department should have overall authority to establish and enforce rules and policies related to the city's motor vehicles, and revise the city code as necessary. Consideration should be given to establishing penalties or disciplinary action for departments that do not follow the established rules. As noted in Part B below, some city departments have chosen to not follow a policy currently in the Vehicle Policy Manual.

- B. The ESD has not been able to complete annual vehicle assignment reports because most city departments were not providing the required information. The Vehicle Policy Manual, Section 3.1, states the Commissioner of the ESD shall provide an annual vehicle assignment report to the Board of Estimate and Apportionment by April 1. This report is to include information on all city vehicles by department, as well as cost, mileage, vehicle assignments, commuting justification, and verification of valid operators' licenses. The report should also include a comparison of the cost of operating city vehicles to the cost of mileage reimbursement to employees for driving their own vehicles (including monthly personal vehicle allowances paid to various employees) to determine the most cost effective method.

Per ESD personnel, after the policy went into effect the report was completed only one time, which resulted in the 2001-2002 Commuting Survey Results Report. The next year, the ESD did not receive the requested information from many city departments and elected officials, and no report was issued. According to the ESD personnel, after another year of unresponsiveness, the Mayor's office informed the ESD that this annual report was no longer necessary and the ESD no longer attempts to obtain the information required to complete this report.

The vehicle assignment report, when properly and accurately prepared, appears to be a valuable tool in planning for and managing of the city's vehicle fleet. Without this report the city may not have the necessary information to make informed decisions concerning vehicle purchasing and determining the size of the city's fleet; who is to be assigned a city vehicle for commuting purposes; and whether the city's current vehicle costs are reasonable or whether the city should investigate more affordable alternatives. The BPS should work with the Board of Estimate and Apportionment to ensure city departments and elected officials provide the necessary information, and the vehicle assignment report is completed annually as required by the Vehicle Policy Manual.

- C. The Vehicle Policy Manual allows for the purchase of new full-sized sedans for newly-elected city officials but does not address restrictions on how the new vehicles may be equipped. In April 2007, two newly-elected officials took office and the city purchased new vehicles for these officials. The President of the Board of Aldermen received a sedan that cost \$25,567, with options that included a heated leather steering wheel, heated front driver and passenger seats, a luxury package, and a comfort and convenience package. The Recorder of Deeds also received a sedan with similar options at a similar price.

While the invoices for these purchases did not list the price for these options separately, many of these options appear unnecessary and would add to the price of the vehicle. To help ensure city vehicle purchase costs are reasonable, the city should consider amending the Vehicle Policy Manual to prohibit or limit options on new vehicles that are considered a luxury or unnecessary.

- D. The city has not established a policy requiring vehicle mileage logs for all city vehicles. The Vehicle Policy Manual states that city vehicles may not be used for personal business, and mileage logs would aid in assuring city vehicles are only driven for city business. Mileage logs should include the purpose and destination of each trip and the beginning and ending odometer readings. Approximately 40 vehicles are assigned to the BPS, and no mileage logs are required by the BPS for any of these vehicles. According to the ESD personnel, few, if any, city departments prepare mileage logs.

Complete and detailed mileage records for all city-owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all city owned vehicles are used efficiently.

WE RECOMMEND the Board of Public Service work with the Board of Estimate and Apportionment to:

- A. Revise the city code to clarify and establish clear authority over policymaking and policy enforcement for city vehicles.
- B. Ensure the vehicle assignment report is completed annually as required by the Vehicle Policy Manual.
- C. Amend the Vehicle Policy Manual to prohibit or limit options on new vehicle purchases considered a luxury or unnecessary.
- D. Amend the Vehicle Policy Manual to establish a policy requiring complete and detailed mileage logs be maintained for all city-owned vehicles.

AUDITEE'S RESPONSE

- A. *Agree – The outdated ordinance reflecting the Comptroller as having responsibility for vehicle policy should be replaced with one granting that authority to the Mayor or Board of Estimate and Apportionment. Alternatively, ESD as the technical experts and primary service providers should be transferred to the Comptroller to make the current ordinance accurate.*
- B. *Agree – This will require cooperation in providing maintenance, repair, and fuel data from ESD, Police Fleet Services, and Airport, as well as driver and operational information from all departments. ESD does not have the authority to compel any of these other entities to comply.*
- C. *Disagree – The City Vehicle Policy Manual (paragraph 2.2.1.1) provides guidance on option package levels for all but elected officials. It is silent on this topic specifically because the policy does not apply to elected officials other than the members of the Board of Estimate and Apportionment (E&A) and they approve the policy. Therefore, E&A members decide for themselves what vehicle they will drive and how it will be equipped and are answerable only to the electorate for the decisions they make as are the other elected officials.*
- D. *Disagree – While mileage logs would appear to accomplish those goals specified in the report, in reality, they are a control procedure that can only be monitored by immediate supervisors who will neglect to do so sufficiently to catch any unauthorized use of vehicles. The result would be time wasted by supervisors and employees doing nothing wrong and those violating the use policy succeeding anyway by falsifying their logs. Installation of GPS-enable telematics devices is the only effective manner in which to*

monitor driver abuse. A better means to implement the intent of this recommendation would be to mandate that all new vehicles acquired by the city have a passive telematics device installed and programmed for monitoring electronically by exception rules. At current contract prices, this would add \$780 per vehicle and require the installation of data download stations at additional city facilities costing approximately \$30,000. It is highly unlikely that the amount of abuse occurring is worth this investment in all segments of the city fleet. ESD will be installing these devices on its own service vehicles and 160 more in the Streets Department in 2008 as a follow-up to a successful test of 5 units this past year.

AUDITOR'S COMMENT

- D. A properly designed vehicle log system, with an emphasis on timely supervisory reviews, would help prevent unauthorized use of city vehicles.

2. Equipment Services Division's Accounting System

The ESD provides services to most other city departments but is not accounted for as an internal service fund (ISF) on the city's financial statements. The ESD's internal pricing structure, which reflects amounts billed to other city departments, has not been updated since 2003.

The ESD is responsible for four city garages which service and maintain approximately 2,200 vehicles primarily for the Street, Refuse, Parks, and Fire Departments. The ESD is also responsible for the purchase and dispensing of gasoline and diesel fuel for most city vehicles. The ESD incurred total expenditures of approximately \$12 million for the year ended June 30, 2007.

- A. The ESD provides fuel and vehicle maintenance services to most other city departments but is not accounted for as an ISF. In an ISF, related costs are paid from the ISF, the goods and services provided are billed to the applicable departments, and billed receipts are deposited into the ISF to offset the costs. According to ESD personnel, the ESD was accounted for as an ISF from its inception in May 1983, but this practice was discontinued within approximately one year because the billing software at that time did not produce sufficiently detailed billings.

Currently, the majority of ESD's expenditures are budgeted and incurred in the city's General Fund, with a small portion incurred in the St. Louis Works Fund. The ESD already maintains most of the accounting systems and information necessary for an ISF. For example, fuel, parts, and labor costs are tracked in the ESD's accounting system, and monthly billings for fuel, repair, and maintenance services are sent to every city department. However, most departments are not required to pay for these services, and fuel and vehicle maintenance and repair costs are not included in most city department's budgets. Six departments do

remit payments because these departments are funded by sources other than the General Fund and the St. Louis Works Fund. Per ESD personnel, the departments which do not remit payments are encouraged to use the billing for informational and management purposes.

For the years ended June 30, 2007, 2006, and 2005, actual ESD expenditures in the General Fund exceeded budgeted expenditures by \$651,000, \$1,000,000, and \$370,000, respectively (actual did not exceed budget in the St. Louis Works Fund). Increased fuel prices appear to have caused some of this overspending; however, because these funds are budgeted to the ESD and most of these costs are incurred by other city departments, the ESD has limited control over this spending. ISF accounting would require fuel and vehicle repair and maintenance costs to be budgeted by the departments that incur these costs, making these departments responsible for ensuring these costs are reasonable and necessary. This accountability would help ensure that each city department is striving to operate as efficiently as possible.

- B. The ESD is using an internal pricing system that has not been updated since it was approved in 2003. The internal pricing system includes rates for labor and parts which are billed to other city departments as described in Part A above. As a result, the ESD may not be adequately recouping actual costs for the goods and services that are paid by other departments. Periodic reviews and updates to the internal pricing system are necessary to ensure other city departments are billed the proper amounts.

WE RECOMMEND the Board of Public Service:

- A. Work with applicable city officials to establish the ESD as an internal service fund on the city's financial statements in which all applicable costs are billed to and paid by the various city departments.
- B. Ensure the ESD reviews and updates the internal pricing system on a regular basis to ensure it reflects actual costs of goods and services provided to other city departments.

AUDITEE'S RESPONSE

- A. *Agree – This action was previously requested as an industry best practice and cost containment strategy but it was denied by the Comptroller and Budget Division. It could be implemented by the Budget Division for FY2010 if a decision to proceed is made prior to budget guidance being disseminated in late 2008.*
- B. *Agree – Rates have been stagnant since 2002 and should be reviewed and updated annually. The authority to do this will be added to the revised City Vehicle Policy Manual. ESD will update its rates in November of each year starting in 2008 so that city customers can budget accordingly for the following fiscal year.*

3.**Equipment Services Division's Controls and Procedures**

The ESD does not reconcile diesel fuel purchased to fuel used, and security and inventory controls over automotive liquids and lubricants need to be improved.

- A. The ESD does not reconcile diesel fuel purchased to fuel used. The division purchases diesel fuel for 4 bulk tanks, 14 smaller tanks, and 2 tanker refueling trucks. The majority of the fuel is received into the four bulk tanks which have a special fuel system to record fuel usage. These tanks are located at the ESD's four garages and used mainly by the Street, Refuse, Fire, Parks, and Forestry Departments. The smaller tanks, mostly located in city parks and used by the Parks Department, are not metered and do not have this special fuel system. The tanker trucks are metered and the fuel usage from these tanks is recorded. The tanker trucks are used mainly to refuel Street Department equipment and Fire Department apparatus.

The ESD has procedures to monitor that the amount of fuel purchased is delivered in the proper quantity; however, the ESD does not reconcile the amount purchased to usage because of anticipated discrepancies. According to ESD personnel, fuel quantities pumped through fuel gauges and the amount of fuel stored in tanks vary as outside temperatures change. As a result, ESD personnel indicated that such reconciliations would not be meaningful. In addition, there are times when, due to the computer system being down, the bulk tanks' fuel system must be put on manual controls. During these times, fuel usage is not tracked.

Prior knowledge that a difference will occur does not appear to be a valid reason for not performing reconciliations. The ESD should perform the reconciliations, and use past experience or industry standards to analyze the data to understand if temperature changes or other known factors are the reasons for discrepancies, and then follow up on unanticipated discrepancies.

Reconciliation of diesel fuel purchased to fuel usage will help ensure that fuel is accounted for properly and help detect and prevent loss, theft, or misuse. This is especially important because of recent significant increases in fuel prices. Diesel fuel expenditures increased from \$1.97 million to \$2.93 million to \$3.38 million for the years ended June 30, 2005, 2006, and 2007, respectively.

- B. The ESD does not have adequate controls over the usage and inventory of automotive lubricants and liquids. The ESD oversees the operation of four maintenance garages for city vehicles. At these maintenance garages, the ESD maintains separate inventories of parts (such as hoses and tires) and liquids (such as motor oil and antifreeze). The liquid inventory is referred to as the PM rack inventory. Inventory counts were performed either monthly or annually prior to May 2008 and compared to the perpetual inventory records. Monthly inventory counts are now performed at all four garages.

Unlike the parts inventories, the PM racks are not secured from unauthorized use, and some authorized use is not recorded. When a service technician performs an oil change on a city vehicle, the amount of oil used is recorded on a work order and entered into the inventory system. However, other authorized users can obtain inventory items without knowledge of garage personnel. For example, a representative from the Parks Department will fill a 50-gallon drum with oil for use in park vehicles, and this usage is not monitored or tracked in the inventory system. Because the PM racks are not monitored by garage personnel, the risk of unauthorized use or theft of motor oil or lubricants is greatly increased.

The following table shows the inventory percentage variances computed by the ESD for the fiscal years (FY) ended June 30, 2006 and 2007, for the PM racks in each of the four garages, and the total inventory overages and shortages for FY 2007. Overages and shortages are computed as the difference between the inventory counts and the balances that should be on hand according to the perpetual inventory records. The percentage variance is a cumulative total of both the overages and shortages compared to the total ending perpetual inventory balance.

Garage Location	Variance		FY 2007	FY 2007
	FY 2006	FY 2007	Overages	Shortages
Hampton	15.04%	72.73%	\$28,730	\$23,658
North Refuse	3.88%	17.01%	\$1,257	\$4,836
South Refuse	80.20%	117.52%	\$14,239	\$1,551
Fire	0.40%	10.26%	\$12,192	\$1,113
Totals			\$56,418	\$31,158

ESD personnel indicated concern over these inventory variances and implemented monthly inventory counts at all locations in May 2008 to better monitor and control the variances.

While shortages of inventory items indicate the potential for theft or misuse, overages also indicate a lack of proper inventory controls. The ESD needs to enhance security measures and maintain more accurate inventory records for the PM rack inventory items to help ensure the inventory is properly tracked, and to help prevent and detect loss, theft, or misuse of inventory items.

WE RECOMMEND the Equipment Services Division of the Board of Public Service:

- A. Reconcile diesel fuel purchased to fuel used, and perform and document follow-up procedures on significant differences.
- B. Implement better security over PM rack inventory items in the maintenance garages and maintain accurate inventory records for these items. The division

should continue to monitor inventory variances and take necessary steps to minimize the variances.

AUDITEE'S RESPONSE

- A. *Agree – ESD will begin reconciliations comparing the gallons of fuel received, fuel inventory, and fuel dispensed in ESD's large, computer controlled tanks and the tankers operated by the Street and Fire Departments. This will be implemented by September 2008 when the new tank monitoring hardware becomes centrally controlled as part of a contracted upgrade already under way.*
- B. *Agree – We have been aware of this problem and attempted to better control it for several years. There are multiple problems to overcome which contribute to the apparent variances.*
- *Some fluid dispensers have no measuring device and those that do require the operator to manually reset it between uses. Guesses at amounts dispensed must be manually recorded and then manually entered into the database used to track inventory level.*
 - *Fluids are dispensed by both ESD personnel and drivers. Staffing cuts over the last decade make it impossible for ESD to provide an employee to top-off customer vehicles so drivers do these themselves in some facilities. This creates an opportunity for city employees to access the fluids but not record amounts dispensed.*

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE
HISTORY AND ORGANIZATION

The Board of Public Service (BPS) was established under the provisions of Article XIII of the St. Louis City Charter. The BPS is made up of the Board President, as well as the Directors of Public Utilities, Streets, Human Services, Parks, Health, and Public Safety. The Charter specifies that the board meet once a week at City Hall, with the duties of the board to include approving permits for use of public places, approving permits for private businesses, and accepting or rejecting grants or dedications of highways, streets, and subdivisions. If an ordinance is for a public work it must be first proposed by the board.

The Office of the President of the BPS is to control and conduct any and all engineering, construction, and reconstruction work undertaken by the city and to supervise all such work in which the city is interested. All plans and specifications for such work shall be prepared under the direction of the BPS and be subject to its approval. To carry out these assignments, the department is divided into planning and programming, design services, construction, and administration.

The Office of the President is also responsible for the following three divisions:

1. The Equipment Services Division, responsible for the repair and maintenance of city vehicles and equipment, was formed in 1983. There are 4 garages and 18 refueling sites under the direct control of this division.
2. The Facilities Management Division, formerly known as Construction Maintenance Division, was formed in 1984, when building trades functions were transferred to the BPS. This division maintains approximately 200 buildings citywide. There are five trades which function in this division: painters, plumbers, electricians, carpenters, and HVAC technicians. Custodians for the City Hall building are also part of this division.
3. Soldier's Memorial Military Museum was dedicated as a memorial for veterans and as a museum for preserving a historic collection of military artifacts. Pursuant to City Ordinance number 64561, the Superintendent position for Soldier's Memorial Military Museum was converted to a civil service position in January 1999. Previously, this position was filled by Mayoral appointment and reported directly to the Mayor. The ordinance converted the position from an exempted one to a civil service position and gives appointing authority to the President of the BPS.

At June 30, 2007, the department employed approximately 175 full-time employees. The Board President is appointed by the Mayor of St. Louis. The current Board President, Marjorie L. Melton, P.E., was appointed on June 1, 2004.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis Supply Division



September 2008
Report No. 2008-60

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following findings were included in our audit report on the City of St. Louis Supply Division.

It appears that some city departments may be using emergency purchases to circumvent normal city purchasing procedures. Auditors reviewed 28 emergency purchases, totaling \$371,845, made by various city departments that were processed through the Supply Division and approved by both the Supply Division and the Comptroller's Office. Of the 28 items reviewed, 22 did not appear to meet the city's definition of an emergency. Some of these purchases included the following:

- The Street Department purchased a traffic signal detection system for \$234,215. It appears this purchase was delayed to the point where an emergency purchase was required to complete the project on a timely basis, and there was no documentation to indicate why the purchase had been delayed.
- The Supply Commissioner purchased a new car for \$25,567 for the newly-elected President of the Board of Aldermen.
- The Health Department purchased satellite telephones for \$9,390, a digital camera for \$4,034, and other photo equipment for \$1,131.
- The Information Technology Services Agency purchased W-2 forms for \$626. This purchase included all W-2 forms needed for city employee tax records for the 2007 tax year. A similar purchase was made for the 2006 tax year.

Other items that did not appear to meet the definition of an emergency purchase included a sno-cone machine, magnetic baseball schedules, fleece blankets, polo shirts, and couches.

For 13 of the 22 items purchased that did not appear to meet the definition of an emergency purchase, justification of the emergency nature of the purchase was not adequately documented, and no justification was documented for two of the 22 purchases.

Nineteen items purchased included invoices with dates prior to the creation and approval of the emergency requisition form. Further, 26 of the applicable 27 emergency purchases were not bid as required. In addition, two of six applicable purchases did not have a letter requesting waiver of advertising for bids, including one purchase exceeding \$200,000.

(over)

YELLOW SHEET

Invoice prices for some purchases did not agree to the applicable contracted bid prices. In addition, some invoices did not provide specific pricing information to allow invoices to be verified for accuracy.

The city may be limiting available bidders due to the city's performance bonding requirements. The Supply Division requires all contractors maintain a performance bond equal to 50 percent of the value of the contract. The Supply Commissioner indicated some companies are choosing not to do business with the city because the performance bonding requirement can be a financial hardship. In addition, the city requires performance bonds for routine supply contracts where products would appear to be readily available from other vendors if the contractor defaults.

The Supply Division received approximately \$431,000 in checks and money orders during the year ended June 30, 2007. Checks and money orders may be handled by as many as three individuals prior to being recorded for transmittal to the City Treasurer, which could cause delays in transmitting receipts on a timely basis. In addition, there is no process to allow for the reconciliation of amounts received to amounts transmitted to the City Treasurer.

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CITY OF ST. LOUIS
SUPPLY DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Supply Commissioner
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Supply Division. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the division has adequate internal controls over significant management and financial functions.
3. Determine if the division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Supply Division.

Additional audits of various officials and departments of the city of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, CPA
Audit Staff:	Michael Reeves

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
SUPPLY DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Emergency Purchases
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Numerous emergency purchases were made that did not appear to meet the city's definition of "emergency" or include adequate documentation to justify the emergency nature of the purchases. In addition, some city departments did not follow required emergency purchase procedures, including soliciting price quotes or bids and requesting approval before purchase. The Supply Division processed approximately 395 emergency purchase requisitions during the year ended June 30, 2007.

We reviewed 28 emergency purchases made by various city departments that were processed through the Supply Division and approved by both the Supply Division and the Comptroller's Office. These emergency purchases were made between July 1, 2006 and March 27, 2008 and totaled \$371,845. We noted the following concerns:

- A. Of the 28 items reviewed, 22 did not appear to meet the city's definition of an emergency. City policy states an emergency purchase can only be made when a condition exists which might cause injury to a person, property damage, or seriously impair public health or services. These 22 purchases included the following:
- The Street Department purchased a traffic signal detection system for \$234,215. It appears this purchase was delayed to the point where an emergency purchase was required to complete the project on a timely basis, and there was no documentation to indicate why the purchase had been delayed.
 - The Supply Commissioner purchased a new car for \$25,567 for the newly-elected President of the Board of Aldermen.
 - The Health Department purchased satellite telephones for \$9,390, a digital camera for \$4,034, and other photo equipment for \$1,131.
 - The Information Technology Services Agency purchased W-2 forms for \$626. This purchase included all W-2 forms needed for city employee tax records for the 2007 tax year. A similar purchase was made for the 2006 tax year.

Other items that did not appear to meet the definition of an emergency purchase included a sno-cone machine, magnetic baseball schedules, fleece blankets, polo shirts, and couches.

- B. For 13 of the 22 items purchased that did not appear to meet the definition of an emergency purchase (as noted in Part A), justification of the emergency nature of the purchase was not adequately documented, and no justification was documented for 2 of the 22 purchases. For the remaining 7 purchases, even though the items purchased did not appear to meet the city's definition of an emergency, the justification that was provided did appear to meet the city's documentation requirements (for example, "time sensitivity" is considered an appropriate justification).

The Supply Division Procedures Manual requires the applicable city department or division to provide documentation of the need for each emergency purchase in the justification section of the emergency requisition form; however, the following represent examples of inadequate justifications provided:

- The Health Department stated the \$4,100 digital camera was needed for publicity photos.
 - Couches and office chairs were purchased for two departments to replace worn-out furniture.
 - The Building Division needed six vehicles to replace worn-out vehicles for building inspectors.
- C. Nineteen items purchased included invoices with dates prior to the creation and approval of the emergency requisition form. The Supply Division Procedures Manual requires the Comptroller's and Supply Division's approval before an item can be purchased on an emergency basis, unless the offices are closed. If the offices are closed such as at night or on a weekend, purchases must be approved by the department head at the lowest possible price. No documentation was provided to indicate that these 19 purchases were made while the applicable offices were closed.
- D. Twenty-six of the applicable twenty-seven emergency purchases were not bid as required. The Supply Division Procedures Manual requires two to three vendor letterhead price quotations be obtained prior to making an emergency purchase, unless a bid waiver is requested and approved by the Supply Division (a waiver was requested and approved for one of the 28 purchases reviewed).

In addition, two of six applicable purchases did not have a letter requesting waiver of advertising for bids. The Supply Division Procedures Manual requires a letter be sent to the Supply Division at least two days prior to purchase requesting the waiver of advertising for bids if the purchase price exceeds \$5,000 (price quotes must still be obtained even when advertising for bids is waived). One purchase exceeded \$200,000 but did not include the required waiver.

In some cases, it may not be possible or practical to obtain price quotes, bids, or bid waiver letters prior to purchase. In these cases, the reasons for not following the applicable policy should be fully documented.

It appears that some city departments may be using emergency purchases to circumvent normal city purchasing procedures. The Supply Division should work with the Comptroller's Office and all city departments to ensure emergency purchases meet the city's definition of an emergency and that all applicable procedures are followed for such purchases. In addition, the Supply Division should work with the Mayor and Board of Aldermen to determine if disciplinary action can be taken against city departments that abuse emergency purchasing procedures. This would ensure non-emergency purchases are made in accordance with standard city purchasing procedures, which helps ensure purchases are reasonable and necessary and the city receives the best price for all purchases.

WE RECOMMEND the Supply Division work with the Comptroller's Office to:

- A. Ensure only emergency purchases that meet the definition of an emergency are approved. In addition, the Supply Division should work with the Mayor and the Board of Aldermen to determine if disciplinary action can be taken against city departments that abuse emergency purchasing procedures.
- B. Ensure all emergency purchases include adequate documentation to justify the emergency.
- C. Ensure all emergency purchases are approved prior to initiating the actual purchase, or the reason for initiating the purchase prior to approval is adequately documented.
- D. Ensure two or three vendor letterhead price quotes are received for all emergency purchases, and letters to waive advertising for bids are received for applicable emergency purchases over \$5,000. If there are valid reasons for not following applicable city policies for such purchases, these reasons should be fully documented.

AUDITEE'S RESPONSE

The Supply Division agrees with the audit finding. The Supply Division will work in conjunction with the Mayor's Office, Comptroller's Office and the Board of Aldermen to ensure city policy and procedures are followed. A joint letter will be sent to all departments and agencies by November 30, 2008, requesting compliance and recommending departmental actions, if appropriate, be imposed against repeat offenders.

Invoice prices for some purchases did not agree to the applicable contracted bid prices. In addition, some invoices did not provide specific pricing information to allow invoices to be verified for accuracy. The Supply Division is responsible for negotiating contracts for the purchase of city supplies and materials. In addition, city accounting procedures require the Supply Division review invoices for items purchased on an existing contract to ensure the prices agree to the applicable contracts. If the prices agree, the Supply Division authorizes a purchase order in the accounting system which allows for the payment of the invoice. If the prices do not agree, the Supply Division is required to send the invoice back to the applicable city department to resolve the differences.

We reviewed 14 contracts negotiated by the Supply Division between July 1, 2006 and February 29, 2008 for compliance with city bidding and invoicing procedures. This included a review of various invoices for each contract to ensure the invoice price agreed to the bid price. We noted the following concerns:

- A. Invoices for 2 of the 14 contracts included charges for items that were not bid nor included in the contracted bid prices. While the Supply Division's Multigraph Section provides printing services for most city departments, the Supply Division contracts for printing services that cannot be provided by the Multigraph Section or when the Multigraph Section cannot handle the capacity of certain printing requests. The invoices for one printing order included items that were not included in the contract. Instead, according to division personnel, the bid price was for basic printing, and additional embellishments were purchased but not bid. Division personnel indicated a supply clerk will contact the Multigraph Section to determine if the invoiced prices are acceptable, but this verification is not documented.

In the other instance, the city purchased rock at a pick-up price rather than the negotiated delivery price. While the pick-up price was lower than the negotiated delivery price, it appears the Supply Division should have obtained bids for pick-up price, as well as delivery price, to ensure the best possible price was obtained.

To ensure the city only pays the negotiated prices and to help prevent over-billing, the Supply Division should ensure all prices correspond with contracted prices prior to authorizing the applicable purchase orders.

- B. Invoices for 6 of the 14 contracts did not include necessary information to allow the Supply Division to verify that the invoice price agreed to the contract price. For one diesel fuel contract, the invoice prices were raised without consulting the Supply Division as required. The invoices did not include specific unit pricing information to allow for the pricing differences to be found, causing the city to potentially overpay for fuel. In another instance, tree removal was contracted based on an amount per ton of debris removed. The number of tons removed was

not included on the invoices to allow Supply Division personnel to verify that the correct amount was billed.

The Supply Division should ensure invoices include detailed information regarding per unit rates to allow adequate comparison of invoice prices to contract prices. This would help ensure the city pays the negotiated contract price.

WE RECOMMEND the Supply Division:

- A. Ensure invoice prices correspond to contract prices before processing the purchasing order in the accounting system.
- B. Ensure invoices include sufficiently detailed information, such as per unit rates, to allow adequate comparison of the invoice prices to the contract prices.

AUDITEE'S RESPONSE

The Supply Division agrees with the audit finding. The Supply Division's buyers have been instructed to insure that all contracts contain the appropriate per unit pricing. Accounting personnel have been instructed to verify per unit pricing on all invoices with the corresponding contract. Accounting personnel have also been instructed to refer all pricing discrepancies to vendors and/or buyers for resolution before processing the invoice for payment. Action completed as of June 30, 2008.

3. Performance Bonding

The city may be limiting available bidders due to the city's performance bonding requirements. The Supply Division requires all contractors maintain a performance bond equal to 50 percent of the value of the contract. St. Louis City Revised Code Section 5.58.160 states, the "Supply Commissioner shall require all parties contracting through his department to give good and sufficient bond for the faithful performance of the contracts, to be approved by the Mayor."

Performance bonds are a useful tool to ensure the city is indemnified if a contractor fails to fulfill the contract. However, the Supply Commissioner indicated some companies are choosing not to do business with the city because the performance bonding requirement can be a financial hardship. In addition, the city requires performance bonds for routine supply contracts where products would appear to be readily available from other vendors if the contractor defaults. The State of Missouri Office of Administration, Purchasing Division does not require performance bonds for routine items such as office supplies. Instead, the wishes of the contracting departments and details of the contract are evaluated to determine performance bond requirements.

Performance bonds should be used to ensure the city remains protected if a contractor fails to fulfill a contract. However, requirements should be evaluated to determine the

necessity of performance bonds in situations which may limit the city's ability to receive the best pricing and services available.

WE RECOMMEND the Supply Commissioner work with the Mayor and Board of Aldermen to evaluate the need of performance bonds for various types of contracts and revise the City Code as applicable.

AUDITEE'S RESPONSE

The Supply Division agrees with the audit finding. The Supply Commissioner will work with the Mayor's Office, Comptroller's Office, Board of Aldermen, and the City Counselor's Office to evaluate the need for performance bonds and seek revision of the City Code as applicable. If the City Code is approved for revision, operating departments will be consulted in determining when performance bonds are necessary. Estimated completion date is November 30, 2008.

4.

Receipt Controls

The Supply Division does not maintain an initial record of checks received, and checks are not restrictively endorsed immediately upon receipt. Checks may be handled by as many as three individuals prior to being recorded for transmittal to the City Treasurer, which could cause delays in transmitting receipts on a timely basis. In addition, there is no process to allow for the reconciliation of checks received to checks transmitted.

The Supply Division received approximately \$431,000 in surplus property receipts during the year ended June 30, 2007. All receipts are in the form of check or money order received through the mail; no cash is accepted by the Supply Division. After the mail receipts are opened, monies may be forwarded to one of the purchasing staff or directly to the Executive Secretary depending on the type of receipt. After review by the purchasing staff, those monies are then forwarded to the Executive Secretary. The Executive Secretary endorses the checks and money orders and completes the paperwork to transmit the receipts to the City Treasurer. Our review noted at least one check was not transmitted within one business day after it was recorded by the Executive Secretary, and the lack of initial recording makes it impossible to determine whether receipts are transmitted on a timely basis after they are received in the mail.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, an initial record or mail log should be prepared and checks and money orders should be endorsed immediately upon receipt. In addition, receipts should be transmitted to the City Treasurer's office on a daily basis, and receipt logs should be reconciled to transmittal records to ensure all receipts are transmitted.

WE RECOMMEND the Supply Division prepare and maintain an initial record or log of all monies received, restrictively endorse all checks and money orders immediately upon receipt, and transmit receipts to the City Treasurer daily. In addition, the record or log of monies received should be reconciled to amounts transmitted to the City Treasurer.

AUDITEE'S RESPONSE

The Supply Division agrees with the audit finding. A log of all checks and money orders received by the division was established and implemented on May 23, 2008. All personnel involved in the receiving and disposition of monies for the division have been trained on the proper maintenance of the log. An endorsement stamp has been made readily available to all personnel initially receiving checks/money orders. The Deputy Supply Commissioner has been given the responsibility for reconciling the check log with the receipt coding form to insure that all monies are deposited in a timely manner.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
SUPPLY DIVISION
HISTORY AND ORGANIZATION

The City of St. Louis Supply Division is responsible for the procurement of supplies and materials, printing, and mail services for the city. The division operates under the direction of the Supply Commissioner, Freddie Dunlap, and employs 26 people in the following three departments:

1. Office of the Supply Commissioner

The Office of the Supply Commissioner is responsible for the procurement of all supplies, equipment, equipment maintenance, and selected services for all city departments. The Supply Division only procures supplies and equipment for certain elected officials and the police department upon request. The division processes nearly 7,000 requisitions per year and administers over 200 purchase contracts. During the year ended June 30, 2007, the Supply Division awarded approximately \$54.5 million in purchase contracts.

2. Multigraph Section

The Multigraph Section provides copying, printing and design/typesetting services to all city departments. Promotional and customized graphic design work is created according to customer specifications. In addition, the Multigraph Section provides production assistance and advice to city departments as needed.

3. Mail Room Services Section

The Mail Room Services Section delivers mail twice daily to 67 different city departments. Approximately 1 million pieces of outgoing first class mail are processed by the Mail Room Services Section in an average year. This section also folds and inserts approximately 250,000 pieces of mail annually, and offers a courier service to city departments.



Susan Montee, CPA
Missouri State Auditor

City of St. Louis
Department of Personnel



September 2008
Report No. 2008-59

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following findings were included in our audit report on the City of St. Louis Department of Personnel.

The City of St. Louis Department of Personnel is responsible for providing all human resource management functions for the city's civil service employees. The city of St. Louis employs approximately 7,250 people of which 4,500 are considered civil service employees. The Director of Personnel is Richard Frank.

The Acting Director of the Department of Health was given a one time payment of \$7,727 in September 2007 and the Public Information Manager of the Department of Health was given a one time payment of \$6,864 in August 2007. Both payments represent approximately 10 percent of the employee's gross income for that year. The city indicated the payments were authorized under the compensation ordinance. The city indicated that these employees performed extra duties on a temporary basis due to vacant positions; however, there was not adequate supporting documentation showing additional work.

Of the two employees that did receive payments, one's timesheet indicated extra hours while the other's did not and one employee had a letter supporting the payment and one did not. The documentation provided does not support the one-time lump sum payments made. In addition, there could be more employees being required to fulfill additional job duties due to vacancies without additional compensation.

The Department of Personnel established a wellness program for use by city employees. The department does not have a written policy concerning the participation of employees in the wellness program, does not track the total costs of such a program, and has not performed an analysis of the costs versus the benefits of such a program.

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YELLOW SHEET

CITY OF ST. LOUIS
DEPARTMENT OF PERSONNEL

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of Personnel
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Personnel. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance

with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our finding arising from our audit of the City of St. Louis Department of Personnel.

Additional audits of various officials and departments of the city of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
In-Charge Auditor:	Carl Zilch
Audit Staff:	Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

CITY OF ST. LOUIS
DEPARTMENT OF PERSONNEL
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Incentive Payments
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Incentive payments paid to employees are not supported by adequate documentation showing additional work was performed. In addition, the city's granting of payments appeared inconsistent. In 2007, the city paid \$14,591 to two employees as bonus/incentive payments.

The Acting Director of the Department of Health was given a one time payment of \$7,727 in September 2007 and the Public Information Manager of the Department of Health was given a one time payment of \$6,864 in August 2007. Both payments represent approximately 10 percent of the employee's gross income for that year. The city indicated the payments were authorized under Section Two of Ordinance 67922 (the compensation ordinance) which states an appointing authority, with prior approval of the Director of Personnel, may establish a program of cash awards or other incentives for an employee or group of employees to recognize and reward increased productivity or effectiveness. The city indicated that these employees performed extra duties on a temporary basis due to vacant positions; however, there was not adequate supporting documentation showing additional work.

In February 2007, the Health Service Manager over Communicable Disease Prevention was named Acting Director of Health. In addition to serving as the Acting Director of Health, she continues to perform some of her previous duties. The number of employees she supervises increased from approximately 30 employees to 200 employees. This employee provided timesheets which indicated additional work hours of approximately five hours a week. The Mayor's office appoints the Director of Health and did not provide documentation indicating this employee was performing additional work. This employee continues to serve in this role and there are no current plans to hire a Director of Health.

In March 2006, the Public Information Manager was temporarily named Health Service Manager for Maternal Child and Family Health. In addition to serving as a Health Service Manager for Maternal Child and Family Health, he continued to perform his previous duties. The number of employees he supervised increased from approximately 4 employees to 15 employees. This employee provided timesheets which indicated no significant difference in the number of hours worked. However, the Public Information Manager is appointed by the Commissioner of Health who did document in a letter the reasons she believed the Public Information Manager should receive a bonus/incentive payment. In August 2007, he discontinued these additional duties.

The city has indicated positions in the city have been eliminated and some employees may have been required to take on additional job duties as a result. For example, the

position of Building Commissioner has been vacant since June 2005. The deputy has served as the Acting Building Commissioner since September 2005 when he received a promotion from Building Inspection Manager. The Deputy Building Commissioner indicated he does not keep a timesheet but that he estimates he performs approximately 5 hours more of work a week with these additional duties. He has not received any bonus/incentive payments for this work.

The city is not consistently applying and documenting incentive payments. Of the two employees that did receive payments, one's timesheet indicated extra hours while the other's did not and one employee had a letter supporting the payment and one did not. The documentation provided does not support the one-time lump sum payments made. In addition, there could be more employees being required to fulfill additional job duties due to vacancies without additional compensation.

The city has several other incentive and award payment programs including the Mayor's Service Award and various awards through the Board of Public Service. All of these payments are under \$500 each. From July 2006 through March 2008, there were approximately 60 of these payments totaling approximately \$19,000.

The city should ensure there is adequate documentation to support any bonus/incentive payments. In addition, the city should ensure payments made are consistently applied to all employees. Awarding additional pay to employees on a discretionary basis in the form of bonuses appears to represent additional compensation and violates Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." The city should review the various bonus and incentive payments to ensure compliance with the Missouri Constitution and consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

WE RECOMMEND the Department of Personnel ensure incentive payments are in compliance with the Missouri Constitution, applied consistently throughout the city, and adequately supported with documentation.

AUDITEE'S RESPONSE

The Department of Personnel is in agreement with the audit recommendation and will establish new guidelines to ensure incentive payments are in compliance with the Missouri Constitution, and cannot be construed as retroactive pay (additional pay for work already performed). We further commit to renewing our entire incentive programs and implementing these new guidelines within 90 days.

The only issues we would have with the report concern the position of Building Commissioner. The Deputy Building Commissioner is not acting as the Building Commissioner because he does not qualify under the City Revised Code as the code official, who shall be a Missouri licensed

professional architect or engineer. The Deputy Building Commissioner does not perform the full range of essential functions of the Building Commissioner position.

2.

Wellness Program

The Department of Personnel does not have a written policy concerning the participation of employees in the wellness program, does not track the total costs of such a program, and has not performed an analysis of the costs versus the benefits of such a program. The Department of Personnel established a wellness program for use by city employees with help from a local hospital. City records indicate the city spent approximately \$29,000 on the program during the year ended June 30, 2007. There are a variety of programs available including a walking program, aerobic instruction, yoga class, health screenings, etc. The city hopes to reduce health insurance costs and sick leave use by providing the wellness program to the employees.

- A. The department does not have a written policy concerning paid time off for participation in the program. It is up to each appointing authority to decide if employees should use personal time or paid time off to participate in the program. City departments are not consistent in allowing paid time off for wellness program activities. Several city departments allow employees to take paid time off while at least one department does not. Another department has developed its own wellness program and allows employees paid time off to participate.

A written policy should establish procedures for participating in the wellness program including whether paid time off is allowed, the maximum amount of time off allowed for each employee, and documentation requirements of time used by employees for participation in the program. Such a policy would ensure employees in each department are given an equal opportunity to participate in the wellness program.

- B. The city does not adequately track the total cost of the wellness program. The departments which allow paid time off to participate in wellness programs do not track this information on timesheets submitted to the Comptroller's office. Without requiring this type of documentation, the city is unable to track the amount of hours and the total costs to the city for participation in the program. As a result of not tracking these costs, the department cannot analyze the benefits of such a program such as decreased sick leave use or insurance savings versus the total costs associated with the program. Department staff indicated the city has not received a discount in health insurance premiums by establishing this program.

WE RECOMMEND the Department of Personnel:

- A. Establish a written policy which addresses participation by employees in the wellness program.
- B. Require documentation be maintained of the amount of paid time off used by employees participating in the wellness program to determine the total costs of the program. The department should perform a cost analysis of the wellness program to determine if it is beneficial to the city.

AUDITEE'S RESPONSE

The Department of Personnel is in full agreement with the findings. Please be advised that the Department of Personnel has already completed a draft Administrative Regulation on the City's Wellness Program (entitled "BeeFit"). Once signed by me as Director, this formal Administrative Regulation on Wellness shall provide governance for the Wellness Program Citywide. Furthermore, also per your recommendations, we shall revise the draft Administrative Regulation to include:

- The various approved BeeFit Wellness Program activities shall use attendance sheets to document participation that can be cross checked with official employee time sheets; any falsification shall lead to disciplinary action up to and including dismissal.*
- A statement that employees participating in the Wellness Program shall indicate the number of hours per week they participate on their weekly time sheet; we will request that a new form be developed (to be attached to the new Administrative Regulation and distributed with it) to be signed by the employee and appointing authority that will then be submitted to the Department of Personnel so that participation can be documented and tracked for data analysis.*
- The Department of Personnel shall request that the Comptroller's Office and the ITSA (Information Technology) work to develop a code for the computer system to be able to track Wellness participation by employee so as to assist with data compilation, analysis, and ROI (return on investment).*
- We shall add a statement under the Records section of the Wellness Policy that states that the Department of Personnel will conduct analyses on ROI based upon Wellness Program participation.*

The Department of Personnel commits to issuing this new Administrative Regulation on Wellness asap, but no later than 30 days.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF PERSONNEL
HISTORY AND ORGANIZATION

The City of St. Louis Department of Personnel is responsible for providing all human resource management functions for the city's civil service employees. The city of St. Louis employs approximately 7,250 people of which 4,500 are considered civil service employees. The Director of Personnel is Richard Frank. The director's office coordinates the work of the following eight sections:

1. Classification and Compensation

This section has two primary responsibilities - the classification of approximately 4,500 civil service positions in the city and the preparation and administration of the city's compensation ordinance.

2. Examination

This section fulfills a variety of staffing functions for all departments and agencies within the city of St. Louis merit system. This includes a broad range of recruitment activities, examination development and administration, and creation of eligible lists. The department by charter is required to follow traditional merit system procedures for filling positions.

3. Personnel Services

This section maintains the official personnel records of all city workers and oversees and records all personnel transactions. The section receives personnel requisitions from the departments which are submitted to indicate they need a list of names to fill a vacant position. Personnel Services maintains the list of eligible candidates for city jobs and certifies those eligible to appointing authorities for selection. In addition, the section insures that service ratings are completed and recorded for each city worker.

4. Employee Relations

This section coordinates and conducts hearings for employee and management service rating appeals and is responsible for the review of employee grievances. The section oversees the Drug and Alcohol Testing Program, Employee Assistance Program, and the Family and Medical Leave Act (FMLA) program. These responsibilities include issuing and enforcing administrative regulations, providing supervisory and management training, bidding and administering service contracts, day-to-day operation and oversight of substance testing, and final review of all FMLA leave requests.

5. Diversity

This section is responsible for investigating equal employment opportunity complaints filed by city employees, as well as conducting investigations of discrimination and harassment related complaints.

6. Training and Organizational Development

This section offers training programs on general supervision, ethics, code of conduct, new employee training, etc. In addition, the section will oversee any outside training needed for city employees.

7. Safety and Health

This section is responsible for providing support to the departments in identifying hazards and reducing occupational illness and incidents of injury. The section provides training and support to the departments through periodic safety meetings.

8. Benefits and Retirement

This section administers the city's retirement plan, as well as the health care insurance plans, life insurance, deferred compensation, dental, legal, and accidental death and dismemberment programs for all civil service and non-merit offices except the Police Department.



Susan Montee, CPA
Missouri State Auditor

Metro (St. Louis)



September 2008
Report No. 2008-58

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following report is our audit of Metro (St. Louis).

Metro provides public transportation services to the Metropolitan St. Louis area including light rail, bus and demand response services. In addition, Metro operates the tram system for the Gateway Arch, the Arch Parking Garage, the Gateway Arch Riverboats, and the St. Louis Downtown Airport. Metro began construction of the MetroLink light rail system in the late 1980's and opened the original 17 mile stretch from Lambert International Airport to downtown St. Louis in 1993.

The Cross County Extension project was the result of a regional transportation planning process conducted by the East-West Gateway Council of Governments and was made part of the regional transportation improvement plan. This corridor had been identified as a "tier 1" priority extension in 1991. In 1999, the East-West Gateway Board selected the preferred alignment and conceptual design for the Cross County Extension Project and estimated the project cost would be \$404 million in constant 1999 dollars, or \$471.3 million in 2005 dollars. The reference to 2005 dollars was used because that was the projected year of completion. The East-West Gateway Board determined that the Project would be funded by the regional Proposition M sales tax. Federal participation was not a consideration at that time as no federal funds would be available for that purpose for several years. In May 2000, Metro hired the Cross County Collaborative (CCC), a joint venture of four engineering companies, to perform design, project management, and start-up services for the project. This project extended the Metro Link system 8.2 miles west and south from the existing Forest Park Station running west through Clayton and south or southeast along Interstate 170 to Lansdowne Avenue in Shrewsbury, Missouri.

The financial impact of the Cross County Extension Project has placed numerous burdens on Metro's operating budgets for future years. These burdens could significantly impact the operations of Metro and the users of their services. Metro did not control the cost of the Cross County Extension Project and now faces significant funding shortages. Metro did not ensure the final design of the project prepared by the CCC was substantially complete and free of errors and omissions before proceeding with solicitation of construction bids. Metro also (1) did not retain the services of a project management oversight consultant prior to the completion of the final design, (2) did not ensure utility relocation design work was completed timely and did not ensure utility relocation work was coordinated with construction work, (3) did not follow federal guidance by requesting lump sum bids, and (4) issued bid documents that contained conflicting provisions regarding the contractors' responsibility for excavation of rock and utility relocation. As a result, the final estimated cost of the project, \$686 million, exceeded the original project budget of \$550 million by about \$136 million.

(over)

YELLOW SHEET

Through April 2008, 1,636 construction change orders totaling about \$147 million had been approved. Metro did not always require a record of negotiations to be maintained when processing change orders and approved some change orders containing questionable items. Metro required aggressive work completion schedules that included short periods of time between the completion of the construction of the track bed and start dates for trackwork and rail systems. Metro, in response to problems encountered during construction, authorized change orders for acceleration of the remaining work by contractors that included significant amounts for premium time and inefficiencies to avoid reimbursing contractors for additional delays.

Metro did not ensure the project change order control system for the Cross County Extension Project was properly utilized, and did not require the cause of the change to be identified and recorded through the use of reason codes as change orders were processed. Metro did not perform any analysis of the reason codes that may have resulted in an earlier identification of significant and developing problems on the project. Federal guidelines recommend the use of reason codes within the project change order control system.

As the project was being designed and built, entities including several local governments, the Missouri Department of Transportation, and Washington University requested design changes and entered into funding agreements, referred to as betterments, to compensate Metro for some or all of the additional project costs. The audit made recommendations to ensure agreements are written, specify the parties responsible for cost overruns, establish payment schedules, and for Metro to continue negotiation with entities regarding unrecovered costs.

The Metro Board of Commissioners approved and paid bonuses, executive stipends, severance payments, and retroactive raises since 2003 totaling at least \$704,600 to three executive employees who reported directly to the board. The board also approved one time economic bonuses totaling over \$810,000 and granted retroactive pay increases totaling over \$166,000 for salaried employees. In addition, retention incentives totaling \$145,460 were made to 14 employees of the engineering division without explicit approval of the board. The practices of providing these types of additional compensation payments are unusual and questionable in most government agencies. In addition, these practices may violate Article V of the interstate compact under which Metro was established.

We also noted concerns regarding Metro's compliance with its open meetings and records policies, review of invoices for legal and professional services, and questioned their practices allowing certain types of expenditures.

All reports are available on our Web site: www.auditor.mo.gov

METRO (ST. LOUIS)

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Metro Board of Commissioners
and
Jeffrey K. Watson, Chairman
and
Robert J. Baer, President and Chief Executive Officer
707 North First Street
St. Louis, Missouri

The State Auditor was requested by the Honorable Matt Blunt, Governor, under Section 26.060, RSMo, and was also invited by the Metro Board of Commissioners to audit Metro and the Cross County Extension Project. The agency engaged Mayer Hoffman McCann P.C., Certified Public Accountants (CPAs), to audit the agency's financial statements for the years ended June 30, 2007, 2006, 2005 and 2004. The agency also engaged PriceWaterhouseCoopers LLP, CPAs to audit the agency's financial statements for the year ended June 30, 2003. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firms. The scope of our audit included, but was not necessarily limited to, the five years ended June 30, 2007. The objectives of this audit were to:

1. Evaluate the agency's internal controls over certain management and financial functions.
2. Evaluate the agency's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.
4. Evaluate the management of the Cross County Extension project.

Our methodology included reviewing minutes of meetings, written policies, financial records, contracts, management reports, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the

effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our procedures and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our procedures and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstance, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the procedures applied in our audit of the agency.

The accompanying Management Advisory Report presents our findings arising from our audit of the Metro.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Directors of Audits:	Kenneth W. Kuster, CPA
Audit Managers:	John Blattell, CPA, CFE
	John Luetkemeyer, CPA
In-Charge Auditor:	Dennis Lockwood, CPA
Audit Staff:	Kate Petschonek
	Christopher Vetter
	Dana Wansing

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

METRO (ST. LOUIS)
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

Background Information - Cross County Extension Project

The Cross County Extension project was the result of a regional transportation planning process conducted by the East-West Gateway Council of Governments and was made part of the regional transportation improvement plan. This corridor had been identified as a "tier 1" priority extension in 1991. In 1999, the East-West Gateway Board selected the preferred alignment and conceptual design for the Cross County Extension Project and estimated the project cost would be \$404 million in constant 1999 dollars, or \$471.3 million in 2005 dollars. The reference to 2005 dollar was used because that was the projected year of completion. The East-West Gateway Board determined that the Project would be funded by the regional Proposition M sales tax. Federal participation was not a consideration at that time as no federal funds would be available for that purpose for several years.

The project extended the MetroLink system 8.2 miles west and south from the existing Forest Park Station running west through Clayton and south or southeast along Interstate 170 to Lansdowne Avenue in Shrewsbury, Missouri. The project included purchase of rights of way, construction of the railway, and 10 passenger stations, and the purchase of 22 additional light rail vehicles. In addition, the project included about \$34 million in betterments, such as bridges and changes to the conceptual alignment made at the request of St. Louis County, several local jurisdictions, and the Missouri Department of Transportation.

Metro took over development of the extension project from the East-West Gateway Board and subsequent planning resulted in the addition of an estimated \$79 million in operational and safety modifications, equipment needs, and engineered real estate and utility relocation cost estimates. In May 2000, Metro hired the Cross County Collaborative (CCC), a joint venture of four engineering companies, to perform design, project management, and start-up services for the project. In November 2001, the Metro Board of Commissioners adopted a project budget of \$550 million with an expected project completion date of May 2005. This budget included nearly \$43 million for contingencies.

The board approved more changes to the design in May 2002, after a series of meetings with various municipalities and neighborhood groups. In November 2002, Metro issued bonds in the amount of \$414 million and transferred \$95 million of Proposition M, a ¼ cent sales tax for transit collected by St. Louis City and St. Louis County, monies to a project trustee. The bond documents indicated the expected completion date had slipped to mid-2006. In December 2002, the CCC, according to Metro, indicated the design was 100 percent complete and bid packages were prepared. After the bid documents were issued, potential bidders submitted numerous questions regarding contractual issues and design clarifications. For the six major contracts, between three and six bid addendums were issued. Those addendums substantially shifted much of the contractor's risk for unknown conditions, such as depth of rock, unidentified utilities, and delays arising from utility interferences, from the contractor to Metro. Those addendums also revised from 22.8 to 35.2 percent of the design drawings that had been issued with the invitations for bid for the various contracts. Also in December 2002, Metro took action to split the duties of

the design and construction management contract and established a joint construction management team comprised of CCC and Metro staff.

Bids were awarded for the six main contracts between March 2003 and August 2003. Contractors continued to identify problems with the design and differing field conditions not included in the bid documents. In October 2003, Metro issued a default notice to the CCC. By July 2004, the six prime construction contractors began to submit multi-million dollar claims for additional compensation due to costs arising from utility delays, construction delays, and design modifications. According to Metro officials, these modifications were due to design errors and omissions, design modifications required by local authorities, and other issues.

Metro terminated all contracts with the CCC in August 2004, and filed a lawsuit in St. Louis County against the firm to recover damages and alleged fraud in its complaint. Metro then formed the Metro Construction Group to manage the project, hired several engineers and project administration staff that had worked for the CCC, retained three engineering firms to perform engineering and construction management services, and retained the services of a project management oversight consultant.

In March 2005, the Metro Board of Commissioners adopted a revised project budget of \$676 million and a revised completion date of October 2006. The estimated construction costs had risen from \$321 million in the 2001 project budget to \$467 million. Budgeted utility relocation costs had also grown from \$19 million to over \$41 million. The reserve for contingencies listed in the original project budget of about \$43 million had been eliminated. In November 2005, Metro issued an additional \$150 million in bonds to finance the completion of the project. The project opened for revenue service in August 2006. In December 2007, Metro issued refunding bonds with a principal amount of \$20.82 million to refinance bond principal payments totaling about \$18.1 million that would be due in 2008 and 2009 on the 2002 series bonds. Total debt service payments on the three bond series will exceed \$1.076 billion through 2036.

In December 2007, the jury in the lawsuit against the CCC found in favor of the defendants and awarded damages of \$2.56 million. The defendants requested payment of their legal costs. In January 2008, Metro and the defendants agreed to settle all claims for \$6 million. Metro funded the settlement from their self-insurance fund. Metro incurred over \$21 million in legal fees, expert witness fees, and related expenses in the lawsuit. After he resigned, the former chief executive officer indicated in a letter to the board in January 2008, that during the trial he was involved in negotiations with the CCC attorneys in hopes of reaching a settlement. During these discussions the attorneys representing the CCC spoke with the former chief executive and Metro's legal counsel about settling the case by paying \$28 million to Metro. Metro's former chief executive officer countered at \$58 million. The defendants did not make a counter offer and decided to continue with the trial.

The former chief executive officer and Metro's legal counsel had determined that \$40 million would have been the minimum settlement offer they would recommend to the board. As a result, Metro's Board of Commissioners was never presented an official action for consideration, according to Metro officials.

As of April 2008, a small amount of work on the project had not been completed, and a few additional change orders are expected. Through April 30, 2008, 1,636 construction change orders totaling over \$147 million had been approved, and project expenditures totaled \$676.8 million. Metro has projected the final completion cost of the project, including litigation expenses, may reach \$686 million.

The following project cost summary was compiled from reports by Metro Engineering:

**Cross County Extension Project Cost Summary
As of April 30, 2008**

Description	March 2005 Budget	Contract Awards to Date	Approved Change Orders (1)	Committed Contract Value	Expenditures to Date
New Start Rolling Stock - LRV	\$ 53,777,400	53,550,551	0	53,550,551	53,550,551
Support Vehicles - Miscellaneous	1,350,000	1,171,182	0	1,171,182	1,170,187
Utility Relocation	41,000,000	26,993,881	17,246,926	44,240,807	36,808,440
Construction	467,300,800	326,520,020	142,502,233	469,022,253	463,725,075
Design Professional Services	40,547,378	28,178,095	12,235,447	40,413,542	39,414,454
General Engineering Consultant	3,154,359	3,544,213	642,098	4,186,311	3,381,631
Construction Management Services	17,572,394	27,227,434	(6,834,710)	20,392,724	19,545,904
Testing and Startup	3,400,000	3,673,541	0	3,673,541	2,110,827
Real Estate Acquisition	31,939,600	26,559,064	0	26,559,064	26,559,064
PMOC (2)	1,351,400	1,228,590	0	1,228,590	1,163,339
Supplier and Workforce Diversity	1,159,458	1,087,344	(27,550)	1,059,794	1,059,793
Metro Administration	44,353,511	63,569,918	73,534	63,643,452	61,638,821
Project Income & Betterments	(30,646,240)	(29,927,482)	(4,301,272)	(34,228,754)	(30,339,556)
Total	\$ 676,260,060	533,376,351	161,536,706	694,913,057	676,788,530

(1) Construction change orders exclude \$5,048,682 funded from contract allowances, resulting in construction related change orders totaling \$147,550,915.

(2) Project Management Oversight Consultant

During fiscal years 2006 and 2005, Metro recorded asset impairment charges totaling \$105.9 million in its financial statements. These charges were needed to recognize costs for the Cross County Extension Project related to re-work and re-engineering, and other costs due to contractor performance in the construction of the Cross County Extension Project. In essence, the impairment charges were costs incurred that did not increase the value of the final project.

We began our audit fieldwork in October 2005. In May 2006, Metro refused to provide further information regarding the Cross County Extension project, citing the need for confidentiality and attorney client privilege related to the lawsuit against the CCC. We suspended our fieldwork. Following resolution of the lawsuit in January 2008, Metro requested we return to complete our audit. We initiated the second phase of our audit in February 2008.

1. Cross County Extension Project
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The financial impact of the Cross County Extension Project has placed numerous burdens on Metro's operating budgets for future years. These burdens could significantly impact the operations of Metro and the users of their services.

Metro did not control the cost of the Cross County Extension Project and now faces significant funding shortages. Metro did not ensure the final design of the project prepared by the CCC was substantially complete and free of errors and omissions before proceeding with solicitation of construction bids. Metro also (1) did not retain the services of a project management oversight consultant prior to the completion of the final design, (2) did not ensure utility relocation design work was completed timely and did not ensure utility relocation work was coordinated with construction work, (3) did not follow federal guidance by requesting lump sum bids, and (4) issued bid documents that contained conflicting provisions regarding the contractors' responsibility for excavation of rock and utility relocation.

- A. The Cross County Extension Project exceeded the original project budget by nearly \$126 million and resulted in the issuance of an additional \$150 million in bonds in 2005 to finance the project and \$20.8 million in bonds in 2007 to refinance a portion of the debt service payments due in 2008 and 2009. The total debt service costs over the life of these additional bonds will exceed \$293.5 million and will not be fully paid until 2036. The additional debt service must be funded by the Proposition M sales tax and as a result Proposition M sales tax funds available for funding operations will be reduced. A proposal to increase the Proposition M sales tax rate by ¼ cent had been placed on the February 2008 ballot in St. Louis County. However, that proposal was removed from the ballot by county officials following the unfavorable outcome of the Metro lawsuit against the CCC. Also, in early 2008, Metro was informed that St. Louis County would reduce Metro's funding from the ½ cent transportation sales tax by \$8.5 million for fiscal year 2009 and \$10 million for fiscal year 2010.

As of April 30, 2008, Metro reported holding cash and investments of approximately \$131 million and various trustees held \$41 million. In March 2008, Metro prepared an analysis of cash and investments that indicated about \$71 million would be available to fund operating deficits that were expected in fiscal years 2008, 2009, and 2010, if additional revenue sources could not be identified. The analysis predicted that cash and investments available to fund operations would be about \$12 million by the end of fiscal year 2010. Also as of April 30, 2008, Metro and its trustees were holding \$28.2 million in Missouri Higher Education Loan Authority (MOHELA) securities that they have been unable to sell due to disruptions in the financial markets. The remainder of Metro's cash and investments, about \$72.8 million held by Metro and its trustees, are restricted and unavailable to fund operating deficits.

As early as April 2002, Metro's former Chief Executive Officer (CEO) informed the St. Louis County Council that Metro was facing serious shortfalls in operating the region's mass transit system. In the fall of 2006 and spring of 2007, the former CEO and executives of St. Louis County met with legislative leadership to discuss new state funding to abate the pending financial shortfall. In May 2008, Metro adopted the budget for fiscal year 2009 that included a projected budget deficit of \$10.8 million for fiscal year 2009, and also included \$8.3 million in

budgeted "other revenue sources" which were described as "the amount needed to balance the budget. The additional needed revenue could come from a successful tax referendum in St. Louis County, passenger fare increases, and/or revenues not yet determined. If no other revenues are identified, service reductions will be planned and implemented" during fiscal year 2009. The budget also projected a deficit of \$45.8 million for fiscal year 2010. The planned spending for capital improvements was also reduced from \$360.6 million in fiscal year 2009 to \$68.6 million in fiscal year 2010. Metro has scheduled a series of public hearings regarding various options for fare increases that may become effective in January 2009. Those options range from increasing the cost of all passes and transfers to increasing all fares, passes, transfers and cutting service.

Metro should closely monitor and take appropriate action to ensure the long-term stability of the agency's financial condition.

- B. The following problems with the Cross County Extension Project were recognized in a report to the Metro Board of Commissioners by the former Metro CEO at the March 18, 2005 board meeting, and/or in a letter from the CEO to Metro constituents dated February 28, 2005.
1. The decision to fund the construction of the Project solely from the regional Proposition M sales tax was made by the East-West Gateway Council of Governments. That decision was based upon the projected cost of \$471 million (in 2005 dollars), an analysis of the expected available Proposition M Funds for capital project purposes, and the lack of available federal funds for the foreseeable future. However, the decision, to proceed with the Project was made before firm engineering cost estimates (at the preliminary and final design stages) were available. The former CEO indicated, "If the federal government sponsored this project, a federal construction grant would not have been committed to without preliminary and final engineering costs."
 2. Metro continued to authorize changes to the preliminary engineering plans that had been approved in November 2001, as late as May 2002. These changes were requested by local communities, neighborhood advisory committees, and other groups. The former CEO indicated this was a major problem resulting in the delay of the completion of the final design.
 3. The final engineering design upon which the construction bid documents were based was not complete at the time bids were solicited (between March and August 2003) although the engineering design and project management firm had indicated the design was 100 percent complete. The former CEO stated, "In simple terms, the design was not contractor ready, not build-able and the fixes are now very expensive."

4. Between March 2003 and August 2004, significant problems arose with the design and project management firm's control of the project that led to the construction contractors seeking multi-million dollar claims for delays due to utility protection and relocation, and design errors and omissions. Metro terminated the contracts with the design and project management firm in August 2004, and assumed control of the project by establishing the Metro Construction Group (MCG) consisting of over 30 engineers and professionals and hired replacement engineering firms to assist the MCG.

Metro should have ensured the preliminary and final engineering cost estimates, as well as updated available funding estimates, were determined before committing to build the Cross County Extension Project. The Federal Transit Administration (FTA) guidelines for New Starts light rail projects indicates that two key phases of the project are preliminary engineering and final design and both must be sequentially and successfully developed and approved prior to funding authorization for construction. In addition, Metro should have ensured the final design documents were complete and the design was build-able prior to soliciting bids and issuing notices to proceed, and utility protection/relocation work was completed as indicated in the bid documents. The design and project management contracts required the CCC accept overall control and responsibility for all phases of the design and subsequent management of the project.

Documentation of Metro's final design review for the five largest construction contracts included over 1,800 questions, clarifications, and required changes. Documentation to support the resolution of 52 of these issues was not available and issues were resolved after the bids were opened for three of the five contracts. The resolution date was 27, 28 and 123 days after the bid opening for those three contracts. In addition, deficiencies in the design continued to be discovered throughout the remainder of the project.

If Metro had identified and required correction of problems related to the final engineering design reviews prior to solicitation of bids, subsequent problems with design and project management may have been avoided and significant cost overruns and project delays eliminated or significantly reduced. Further, when major issues with the design became apparent during construction bidder conferences, Metro did not halt the bid processes and require the design firm to complete the final design. While this would have further delayed the start of construction and possibly the opening of the project, it is likely that the magnitude of contractor claims due to delays, errors, and omissions could have been significantly reduced. In the future, Metro should ensure thorough final design reviews are performed to determine they are complete and free of errors and omissions prior to soliciting bids.

- C. Since the Cross County Extension Project was not federally funded, Metro was not required, and initially chose not to retain the services of an independent project management oversight consultant (PMOC). The FTA often utilizes the services of PMOC's to monitor federally funded transit projects. The duties of the

PMOC, as defined by federal regulation, include monitoring the progress of major capital projects to determine whether a project is on time, within budget, in conformance with design criteria, constructed to approved plans and specification, and is efficiently and effectively implemented. The use of a PMOC may have allowed Metro to recognize problems with project management control much earlier. In addition, when project design and construction management are performed by the same firm, as was done for the Cross County Extension Project, the ability of Metro to monitor contract performance may have been enhanced by the retention of a PMOC.

After the termination of the CCC, Metro retained the services of a PMOC in October 2004. In December 2004, the PMOC prepared a report with 28 recommendations regarding Metro's capabilities and processes for management of the project. Metro agreed to implement 26 of those recommendations. Metro should retain the services of a project management oversight consultant prior to the completion of the final design for future large construction projects.

- D. According to federal guidelines, a utility agreement is a legally binding document between a utility company and a transit agency that defines the scope of a relocation, including reimbursement, liability, right of entry, insurance, and schedule to complete the work. Such an agreement is essential to properly identify the parties involved and to ensure that all parties have a complete understanding of the scope, schedule, and reimbursement issues relating to the relocation.

Metro entered into utility agreements requiring the utilities to use commercially reasonable efforts to complete each phase of the work by a certain date. However, the relocation of major utilities was sometimes not scheduled to be completed until after notices to proceed were issued, and were often not completed on schedule, resulting in relocation activities interfering with construction efforts. The FTA guidelines indicate it is the transit agency's responsibility to coordinate utility relocations in a manner that will not interfere with construction. Metro indicated that the utility agreements were not negotiated well in advance of the start of construction, the design requirements for utility locations were not provided to the utilities in a timely manner, and the construction of retaining walls, bridges, tunnels, and ductbanks were also delayed by inadequate and changing designs.

Although the design and construction management contracts assigned the responsibility for utility relocations to the CCC, Metro should have ensured major utility relocations were completed, to the maximum extent possible, prior to the issuance of the construction contract notice to proceed.

- E. Metro requested lump-sum bids for the construction contracts. A lump-sum bid is a single, fixed price bid that covers all costs to complete the work without a cost breakdown of the individual units and quantities of work that make up the project.

The bidder must include a contingency factor to cover the costs for unknown risks, quantities and geological conditions. A review of federal agency guidance for pricing fixed-price construction contracts indicates lump-sum bidding is an acceptable practice when the project is not overly complex, the design is well developed, few or no modifications are likely, and the geological conditions have been identified with a high degree of confidence.

Unlike past MetroLink projects, significant portions of this project would not be built on abandoned railway right of way and would pass through the oldest and most populated parts of St. Louis City and St. Louis County. Ultimately there were over 390 real estate parcels and over 900 utility relocations impacted by the project. As a result, the Cross County Extension Project was very complex, a relatively high number of modifications was expected, and the likelihood that geographical conditions may significantly vary from predicted conditions was high. Under a unit price/quantity bid, the bid is broken down into the cost of each individual unit with estimated quantities under which the bidder will be compensated at the unit price for quantities in excess of estimated quantities or changes in quantity arising from geological conditions. Unit price/quantity bids generally include a much smaller contingency factor since the bidder's risk is reduced. A unit price/quantity method of bidding may have been a better choice.

In the future, Metro should consider adopting a unit price/quantity based bid methodology for large complex construction projects.

- F. The invitation to bid documents for the construction work contained conflicting requirements for costs associated with the excavation of rock and delays due to utility relocations. These conflicting requirements resulted in confusion among the bidders and likely resulted in inflated bids as well as created the basis for later contractor claims. Bid materials clearly stated contractors would receive no additional compensation for excavation of rock. Bid materials also stated, "If it becomes necessary for a utility company, through emergency purposes or because of unforeseen conditions, to repair, reconstruct, relay or relocate its structures within the Contract area, after the Contractor has commenced its work, then the said utility company and the Contractor shall make suitable arrangements to overcome such interference. No compensation will be allowed the contractor for the disruption of its work."

During the period between solicitation and acceptance of bids, Metro issued several addendums to each contract. Included in the addendums were revisions that shifted the responsibility for rock excavation and utility delays to Metro. However, Metro did not remove the conflicting language from other contract documents. We identified, based upon the change order title, at least 13 change orders totaling over \$1.5 million for additional excavation of rock and 30 change orders totaling over \$40.5 million that were, at least in part, due to utility relocation delays. There were likely other change orders that included similar

additional charges. In the future, Metro should ensure the bid documents and construction contracts do not include conflicting requirements.

If Metro had taken the actions discussed above, construction companies submitting bids could have based those bids upon more complete information and construction and utility relocation schedules could have been better planned and coordinated. While the initial bids would have almost certainly been higher, a significant portion of the final cost of the project could have been reduced by eliminating the additional costs incurred for delay, disruption, and acceleration of work. These additional costs will almost certainly impact the future operations and financial stability of Metro.

WE RECOMMEND the Metro:

- A. Closely monitor and take appropriate action to ensure the long-term stability of the agency's financial condition.
- B. Ensure preliminary and final engineering cost estimates are determined, and sufficient estimated funding exists before committing to future construction projects. Metro also needs to ensure design documents are complete and functional prior to issuing requests for bids for future construction projects.
- C. Retain the services of a project management oversight consultant prior to the completion of the final design for any future significant construction projects.
- D. Ensure major utility relocations are completed, to the extent possible, prior to the issuance of the construction contract notice to proceed.
- E. Solicit bids on the unit price/quantity bidding basis for future complex construction projects.
- F. Ensure bid documents and construction contracts do not contain conflicting requirements.

AUDITEE'S RESPONSE

- A. *We are well aware of the absolute need to monitor the long-term stability of our financial condition. In this regard, it is important to understand that Metro cannot unilaterally take action to ensure its financial condition. The local elected officials and the stakeholders must assist and support Metro's financial solvency. Metro does not have taxing authority, and other than fare box revenues, is dependent upon the city, county, state and federal government for resources.*

Metro continuously evaluates financial condition and forecasts cash flow. The State Transportation Improvement Program requires grant recipients to file operating and capital forecasts as a condition of receiving federal and state grants. These twenty-year long-range plans indicate both operating and capital cash flow deficits. As early as

2002, Metro's President and CEO advised the local stakeholders that Metro could build the Cross County project, but would face significant operating deficits once it went operational. Furthermore, in the fall of 2006 and the spring of 2007, Metro's President and CEO and the St. Louis County Executive requested funding from the State of Missouri to delay the impending crisis. The requested legislation never materialized.

Metro staff will continue to forecast operating and capital funding requirements and make the necessary service adjustments and take any other required cost savings initiatives to balance the budget.

We concur with the recommendation with the caveat that Metro can only do so much and that the regions other stakeholders must provide the necessary resources to operate and maintain our system.

- B. The decision to construct the Cross County Extension project was not made by Metro but rather by the regional elected officials serving as members of the East West Gateway Council of Government (EWGCG) Board. Once the project was approved by the EWGCG Board, the project was transferred to Metro for implementation. The \$404 million conceptual (10% design effort) cost estimate developed by EWGCG was based on 1999 dollars. Preliminary (30% design effort) and final (100% design effort) cost estimates were determined at design milestones by Metro. The \$550 million preliminary cost estimate included the factor for inflation to the middle of construction, community requested changes and refinement to the design. Industry standard sets the initial project budget at the 30% estimate (\$550 million).

Metro maintains a small engineering staff to manage the regular capital program. When a MetroLink extension project is authorized, Metro has traditionally hired outside consulting firms to manage the project and perform the design and construction management. The consulting team identified registered professional engineers that had the responsibility for developing the design for the project. Metro staff performed numerous design reviews and developed thousands of comments on the plans during the design phase. Ultimately, Metro relied on the final drawings, sealed by a registered professional engineer, as being complete when they were issued for bid. Metro concurs with the recommendation to ensure that the design documents are complete and functional prior to issuing requests for bids for future construction projects.

- C. The FTA defines oversight as a continuous review and evaluation of grantee and FTA processes to ensure compliance with statutory, administrative, and regulatory requirements. Hiring a Project Management Oversight Consultant (PMOC) is not a requirement for a project that does not use federal funds. Metro maintains a separate Project Controls department that monitors project schedule and budget, thereby providing the independent review, in house.

The original budget from East-West Gateway did not include a line item for a PMOC. The reason Metro hired a PMOC for Cross County was to assist in the transition of the project control after Metro terminated the consultant management team. As this type of

project management restructuring was extreme, it was determined that some outside assistance would be beneficial. Typically, the PMOC is hired by the funding source (for example, the FTA), not the implementing Agency (Metro). However, based upon the circumstance and complexity of a future project, Metro will consider any and all options.

Never the less, Metro, at its discretion, consistent with best practices is open to all options including retaining the services of a PMOC. Based upon our comments above, we concur with the recommendation.

- D. Metro understands and agrees that it is desirable to have all major utilities relocated prior to the start of construction. However, schedule pressures and cost/benefit analyses can lead to the issuance of construction notices to proceed prior to the complete relocation of all utilities. This is not an unusual practice. This decision requires the proper schedule analysis is performed and relocation agreements are addressed to ensure a reasonable belief that the relocations will take place prior to delaying any contractors.*

Section IX Article 3.11 of the consultant contract assigned the responsibility of identifying and managing the relocations of utilities to the consultant team. Additionally, Section IX, Article 1.3 assigned the responsibility of developing and maintaining the overall schedule to the consultant team.

Based upon our comments above, we concur with the recommendation.

- E. Every project has the distinct characteristic that lends itself to a specific procurement approach. There is no one best approach for all projects. Metro does scrutinize each project to determine the best bidding method based on guidelines set forth by the funding source, best practices and engineering judgment and experience.*

Metro worked with the consultant team to recommend and develop the procurement approach for the Cross County project. This recommendation was derived from the evaluation of professional engineers with significant experience in transit projects. In future projects, Metro will continue this practice. Additionally, Metro will consider the use of unit price/quantity bidding as a viable alternative based upon the nature and complexity of the project.

- F. The project team, comprised of both consultants and Metro staff, reviews all project documents on numerous occasions throughout the design process to detect any errors and/or conflicts. It is the responsibility of the designer to identify and correct any such discrepancies. If conflicts do occur in the final set of plans, the contract contains language to direct the contractor to the correct interpretation of the associated clause. Section 00700, Article 1.06 "Intent of the Contract Documents" provides for the precedence for resolution of such conflicts, discrepancies and inconsistencies.*

Metro already follows this practice, and will do so on future projects.

Metro did not always require a record of negotiations to be maintained when processing change orders and approved some change orders containing questionable items. Metro, in response to problems encountered during construction, authorized change orders for acceleration of the remaining work by contractors that included significant amounts for premium time and inefficiencies.

There were 1,636 construction change orders totaling \$147 million that had been approved as of April 30, 2008. Change order files generally included the actual change order, change order approval forms, copies of the contractor's line item breakdown supporting the change in costs, subcontractor line item cost breakdowns, independent cost estimates prepared for or by Metro, construction drawings, and other documents providing a history of the change from the original design to completion. We reviewed copies of 115 change orders totaling over \$104 million. Ninety-nine of the change orders tested cost over \$250,000 each, 14 change orders tested authorized payments less than \$250,000 for delay, disruption and or acceleration of work, and 2 tested were other types of change orders.

The following items are examples of the concerns noted.

- A. Change orders were approved without a detailed record of negotiation between the contractor and Metro. The negotiation for Metro was initially handled by the resident engineer assigned to the particular contract and sometimes a higher level supervisor also participated in the negotiation. Metro's former general counsel told us negotiations were a give and take process through which the contractor made claims for additional compensation and Metro determined which costs they would accept or reject. Negotiations continued until both the contractor and Metro agreed to the amount to be paid. The general counsel indicated that as part of the negotiation process, Metro may accept a higher cost for a particular item or line item than they determined might be reasonable in exchange for the contractor eliminating or reducing amounts claimed for other items of work.

Without a detailed record of negotiations, the supporting documentation was not always adequate to assess the propriety of the approved change order amounts. The basis for amounts that were included in the change order could generally be determined from other supporting documentation, such as independent cost estimates, revised project change requests, memorandum and letters, detailed spreadsheets, lists of materials with costs, supplier letters, detailed work schedules that identified labor and equipment hours, contractor daily work reports or timesheets, and similar documents supplied by subcontractors. The amounts initially claimed by the contractor were often negotiated to a lower total amount. We also noted that some claimed amounts were withdrawn and submitted as part of another change order reducing the agreed upon cost of the change order being negotiated. Metro generally maintained documentation for the basis of the

approved amounts but did not always document specific claim amounts that were "given up" by the contractors.

In most instances when a record of negotiations was included in the change order documentation, the record contained general comments about the final negotiated price and lacked additional detail of the "give and take" bargaining. Metro should ensure detailed records of negotiations over contractor claims are maintained for all change orders.

B. Some change orders included charges for items that conflicted with contractual provisions, did not have adequate supporting documentation, should not have been included, were incorrectly calculated, or did not include proper credits for deleted items.

1. A change order was issued to compensate the contractor for additional costs and inefficiencies for using specialized drilling equipment to work around overhead utilities. The change order included payment of \$25,355 for a drilling rig crew and equipment charges when the equipment was not operating due to breakdown. Metro should not pay costs arising due to equipment breakdown.
2. Metro approved a change order for the cost escalation of steel that was not installed according to the original project schedule. The installation of the steel had been originally scheduled for the period of April 2004 to November 2004. The adjusted schedule for installation was August 2004 to February 2005, a delay of approximately 4 months. The contractor stated they attempted to obtain the steel according to the original schedule but due to a nationwide shortage, steel mills were unable to produce the reinforcing bars and flat steel to meet the project schedule. The claim indicated that steel prices had escalated much faster and higher than could be reasonably predicted. Metro agreed to the steel cost escalation claim in the amount of \$176,492 (excluding contractor's markup for overhead and profit).

The contractor's claim indicated the base steel price used when calculating the bid was \$260 per ton and that price was good through March 2004 with a \$20 per ton cost increase every six months thereafter. We noted several discrepancies when examining the calculation of the steel escalation cost:

- Claim documentation included copies of the original bid from one of the main steel suppliers and the "base bid" price per ton appeared to range from about \$380 per ton up to \$455 per ton depending on lot quantity and type of steel, not \$260 per ton as indicated by the contractor.

- Claim documentation indicated an escalation factor totaling \$178 per ton had been included in the original bid price of the steel. This escalation factor was applied to periods from June 2003 through March 2004, even though the contractor indicated the bid price was good through March 2004.
- The quantity of steel listed as included in the base bid was 771 tons while the steel escalation was figured on 995 tons. The tonnage increased through other change orders and those change orders should have incorporated more current steel pricing at the time approved.
- Ten tons of steel were installed in December 2005 that had been not included in the original bid. The cost escalator for this steel was \$635 per ton and when added to the base bid of over \$380 per ton, the contractor was paid at least \$1,015 per ton. However, we noted the independent cost estimate for another change order approved in the same month included steel prices of \$780 per ton. As a result, it appears a significant portion of the cost escalation factor for steel did not actually occur.

We recalculated the steel escalation factor and estimated the contractor was overpaid about \$134,000 for this item. In addition, there were eight other line items in the change order that included steel escalation costs totaling \$339,481 involving 3,425 tons and the escalation was calculated using the same method the contractor used as described above. Further, many other change orders were issued that included steel escalation costs and contractors used different methods to estimate the additional costs.

3. While excavating for a tunnel, a contractor determined the actual depth at which rock was found was about 2.81 feet higher than the depth indicated by the geological boring logs in the bid documents. Metro authorized a change order that included \$173,175 for removal of 2,309 cubic yards of rock at \$75 per cubic yard. The subcontractor that excavated the "unforeseen" rock suggested that Metro eliminate removal of the last 2 foot of rock required to reach the planned depth of the track bed because the track bed was now on solid rock making further excavation unnecessary. Metro agreed and a change order was issued to obtain a credit of \$57,750 for deletion of 1,650 cubic yards of rock at \$35 per cubic yard.

In this instance, Metro agreed to pay for the excavation of extra rock but then received credit at a much lower rate for the rock that did not have to be removed. By issuing two change orders and not obtaining the proper amount of credit, Metro incurred net additional costs of about \$66,000 (1,650 cubic yards at \$40 per cubic yard). Further, the construction

management contract technical specifications indicated Metro was not responsible for paying for the excavation of additional rock.

Metro engineers reviewed the concerns above and agreed that the handling of these items was questionable.

Under Section 700, Article 1.10 of the Standard Project Requirements Manual, the Agency has the right to examine books, accounting records, and documents related to the cost, pricing, negotiation, or performance of the contract including any change or modification. Metro indicated that they plan to perform or retain specialists to perform an audit of each contractor upon project completion. Metro should ensure change orders are reviewed to determine change orders are in compliance with contract terms, and applicable credits were obtained. In addition, Metro should seek reimbursement from contractors as overpayments are identified.

- C. During the bidding process, Metro required aggressive work completion schedules that included short periods of time ranging from 3 to 24 days between the completion of the construction of the track bed and start dates for trackwork and rail systems. When the various delays and disruptions experienced on the Cross County Project and major changes in the scope of work caused the schedule to slip, Metro requested acceleration of work to avoid reimbursing contractors for additional delays. Acceleration activities included working ten hour days and/or working six days a week resulting in the payment of overtime and in some instances double time. Extended periods of overtime resulted in decreased productivity. Other techniques included increasing the number of employees in individual work crews and/or increasing the number of work crews and related equipment. One contractor indicated this resulted in an overcrowding of the work space and contributed to declining productivity and an increase in idle time for workers and equipment.

One change order included about \$293,000 to accelerate construction by shifting 13,221 man-hours from regular time to overtime in an effort to meet the revised contract completion date. This change order was associated with another change order compensating the contractor because all hours were estimated to be 15 percent less efficient due to declining productivity from overtime. This change order totaled over \$640,000, making the total cost for using overtime in this instance more than \$933,500. Using a standard labor rate of \$44.32 per hour, the charges for acceleration using overtime and related inefficiencies could have paid for an additional 21,062 labor hours at regular time. In this instance, the cost of premium time and the related inefficiencies had to be compared to the costs for extended general conditions at over \$10,000 per day to the construction contractor and over \$11,000 per day to the follow-on systems contractor that would be incurred if acceleration was not used. In a subsequent change order, the systems contractor also received compensation for inefficiencies related to overtime and for inefficiencies for adding additional crew members to accelerate project

completion and to reduce further overtime. We noted 27 change orders totaling over \$4.7 million were issued for acceleration and almost all of the 38 change orders totaling over \$41 million issued to compensate contractors for delays and disruption included some factor for acceleration and premium time. It appears likely that if Metro had used a less aggressive construction schedule they could have avoided some of the costs and inefficiencies arising from acceleration activities.

For future construction projects, Metro should ensure adequate intervals exist between major phases of construction projects. Furthermore, it appears additional analysis of the use of acceleration practices should be done to ensure the benefits significantly exceed the costs of attempting to change the completion schedule.

WE RECOMMEND the Metro:

- A. Ensure detailed records of negotiations are documented for all change orders.
- B. Ensure change orders are reviewed to determine and ensure compliance with contract terms, and applicable credits were obtained. In addition, Metro should seek reimbursement from contractors as overpayments are identified.
- C. Ensure adequate intervals exist between major phases of any future construction projects, and evaluate the costs and benefits of using acceleration practices.

AUDITEE'S RESPONSE

- A. *Records of negotiation are a required field in the change order documentation prepared by the Resident Engineer and are included in most change orders. Frequently, the Resident Engineer will concur with the change order submitted by the contractor, thereby eliminating the need for any negotiations. Other times, the actual negotiations occur over the exchange of edited cost proposals without an actual face-to-face negotiating session. In these cases, the history of the negotiations is documented in the supporting paperwork.*

Metro will continue to require the completion of the Record of Negotiation field in the change order documentation. Enhanced direction has been given to the Resident Engineers to document the reason(s) for the lack of a negotiating session or to summarize any types of exchange that led to the final change order price.

- B. *Metro's Resident Engineers are required to review all change order items to ensure compliance with contract terms. Credit change orders are to be based on bid supporting documentation, when possible. Other credits are negotiated with applicable supporting documentation being supplied from the contractor. The contractor is notified that any documentation submitted to justify costs may be audited.*

On August 8, 2008 Metro began the necessary procurement process to select an independent external audit firm with construction experience to perform these examinations to determine if overpayments were made and seek subsequent reimbursement.

Metro has already acted on this recommendation.

- C. *Section IX, Article 1.3 “Project Schedule” of the consultant contract requires the consultant to develop and manage the project schedule. Metro and the consultant team evaluate contract durations and intervals between contracts as the overall project schedule is developed using engineering experience and scheduling principles. Metro believes that the schedule developed for the Cross County Project was achievable. However, the numerous delays stemming from utility relocations and other project issues proved to be too great to overcome.*

Once a project falls behind schedule, a recovery plan is developed. Schedule recovery frequently requires accelerated work by the contractors. Project management evaluates the overall project schedule to determine the maximum benefit to be gained by accelerating a contractor. The associated cost of the acceleration is thoroughly analyzed against the benefit to the project prior to execution of the change order. The audit states that “overcrowding” of the work space often resulted from acceleration. Metro monitored the work plans closely to ensure overcrowding did not take place. Contractors did attempt to claim that it occurred, but Metro did not accept these claims.

In future projects, Metro will ensure adequate intervals between contracts and continue to evaluate and document the benefits of using acceleration practices.

3. Cross County Extension Project Change Order Control System
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Metro did not ensure the project change order control system for the Cross County Extension Project was properly utilized, and did not require the cause of the change to be identified and recorded through the use of reason codes as change orders were processed. Metro did not perform any analysis of the reason codes that may have resulted in an earlier identification of significant and developing problems on the project.

Change orders are used to compensate a contractor for costs of additional work arising from changes to the original plans that were unanticipated or unforeseen by the engineers or architects. Change orders may also be necessary due to errors or omissions in the original design. The Federal Transit Administration has developed project and construction management guidelines¹ that recommend the establishment of a change order control system that identifies and records the cause of the changes. Those guidelines also indicate that in association with a change order control system a cost

¹ Federal Transit Administration - Project & Construction - Management Guidelines (2003 Update) Appendix A - Cost Estimation Methodology is available at www.fta.dot.gov.

recovery procedure should be developed and utilized if the cause of the change is errors and omissions on the part of the design contractor.

Change orders for the Cross County Extension Project were accompanied by change order approval forms signed by a resident engineer and the appropriate level of Metro management, and included an explanation and justification for the change. Records of change orders and electronic copies of supporting documentation related to the Cross County Extension Project were available in Metro's project management software system. The system includes a field for the reason the change order was issued. The reason code was to be assigned by the resident engineer as the change order was being processed for approval. There were seven standard reason codes with the following descriptions:

Metro (Metro Request) - Usually assigned when the Metro Construction Group, Maintenance, or Operations recognized the need for a change in the design to facilitate maintenance or operations.

Error and Omission - Assigned when the change was recognized as an error and or omission on the original design that required correction for the system to operate as planned.

Planned - Assigned when it was recognized during construction that a different contractor would better construct a work element. This may have been to avoid extending one contract with associated additional overhead costs or because a different contractor possessed skills that the assigned contractor lacked.

Design Change - Assigned when the design was enhanced or a clarification was required. This code was normally used for minor changes and clarifications at little or no cost.

Differing Site Condition - Used when subsurface conditions differed materially from those indicated on the plans or described in the specifications.

To Be Determined - Used when the cause of the change was unclear but the change was necessary to maintain the project's completion schedule.

Third Party - Used when the change was required by a code and or authority to meet the requirements of the affected third party. These changes were needed due to a utility, municipality, county, or state requirement.

During audit fieldwork in 2006, we reviewed documentation of change orders issued to the various contractors who performed the construction of the project. As of December 2005, reason codes had not been assigned for 504 of 985 approved change orders. These 504 change orders represented about \$64 million of \$113 million in approved change orders. After we brought the significant lack of reason codes to the attention of the former Senior Vice-President of Engineering, Metro engineers assigned reason codes for the 504 change orders and revised some reason codes that had been recorded by the

terminated design and management firm. Further analysis showed that of 383 change orders approved prior to the design and management firm's termination in August 2004, only 75 (20 percent) had reason codes assigned.

When we resumed audit fieldwork in 2008, we updated our information regarding change orders. As of April 2008, 1,636 change orders totaling over \$147 million had been approved from the inception of the project. However, Metro again had not assigned reason codes for 320 of these change orders. The following table indicates the approved construction change order activity by reason code:

<u>Approved Change Orders by Reason Code (1)</u>		
Reason Code	Number	Amount
Errors & Omissions	407	\$ 49,869,499
Third Party Request	229	35,230,610
Differing Site Conditions	188	18,366,570
Planned	36	15,046,175
Metro	301	6,961,185
Design Change	137	6,793,698
No Reason Code Listed	320	12,009,421
Other (2)	18	3,273,757
Total	1,636	\$147,550,915

(1) Information as of April 30, 2008, Construction contracts only

(2) Change orders assigned to be determined or other codes

While it was originally the contractual responsibility of the design and project management firm to maintain the project tracking system, Metro did not ensure the reason code information in project tracking system was being maintained, updated timely, and properly monitored. Neither the project management firm nor Metro initially produced periodic change order reports listing reason codes or performed any analysis of reason code information. In April 2004, Metro established a spreadsheet to track change order activity including Metro's assessment of which party, Metro or CCC, was responsible for the additional costs related to the change order. It appears this tool was established to prepare for future litigation. Had Metro required the reason code information to be maintained in the early stages of the construction project, tested the reliability of the information by reviewing change order justification, and performed an analysis of the change order reason codes, Metro may have been able to better monitor the costs of the extension project and identify and resolve significant and developing problems earlier.

WE RECOMMEND the Metro, for any future construction projects, ensure change order reason code information is maintained for all change orders and conduct periodic analysis of change order information in an effort to better monitor project costs and progress.

AUDITEE'S RESPONSE

The Resident Engineer (RE) who is directed to develop and implement the change order may not know the underlying reason for the change order (CO) which may stem from design contract issue, real estate issues or intergovernmental agreement issues.

Often, the RE would be a member of the consultant staff. Therefore, the RE would be less likely to assign a reason code to a change order that would implicate their firm as being responsible for a costly design error.

As stated in the audit, Metro maintained a separate change order management system that tracked all change orders and assigned responsibility. This document included significantly more information than the reason code field and was administered exclusively by Metro personnel. Metro agrees with the intent of the recommendation, but disagrees with the specific use of the reason code field as the only effective way to control change orders. Metro believes this is an engineering judgment call that must be made by Metro and that its current practice of maintaining a separate management system to track the change orders is superior to the reason codes and has served Metro well for many projects.

4. Cross County Extension Project Betterments
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Metro did not enter into written agreements before proceeding with construction, design changes, or issuing change orders for some betterments. In addition, some agreements did not specify which party would be responsible for cost overruns. As of April 2008, Metro has unrecovered costs of nearly \$4 million incurred in the construction of betterments.

The Cross County Extension Project acquired public right of ways and easements from several local governments, the Missouri Department of Transportation (MODOT), and private entities, such as Washington University. As the project was being designed and built, some of these entities requested design changes and entered into funding agreements, referred to as betterments, to compensate Metro for some or all of the additional project costs. In total, Metro incorporated 16 betterments into the project.

The following table summarizes the betterments activity as of April 2008.

Cross County Betterments

Entity	Original Agreement	Final Cost	Invoiced	Due
MODOT	\$ 14,018,432	14,018,432	14,018,432	0
Brentwood	6,201,342	8,456,880	8,456,880	1,673,480
St. Louis County	5,775,126	5,939,194	5,939,194	176,135
THF Maplewood (1)	1,859,836	1,859,836	1,859,836	0
Clayton	1,585,985	3,302,267	3,302,267	1,716,282
Washington University	288,300	313,300	288,300	188,300
Richmond Heights	35,000	35,000	35,000	35,000
Maplewood	15,000	15,000	15,000	0
City of St. Louis	100,000	100,000	0	100,000
Total	\$ 29,879,021	34,039,909	33,914,909	3,889,197

(1) THF Maplewood South Development, LLC for Bridge 5.44 over Hanley Road

For the amounts due, Metro officials indicated the city of Clayton and St. Louis County have indicated they are not responsible for the cost overruns. The city of Richmond Heights claimed the damage to their streets far exceeded the cost of the betterment and Metro offset the amount due. The city of Brentwood established a transportation development district which plans to issue additional bonds in about 2010 for repayment of the amount due. Metro expects full payment from Washington University and the city of St. Louis. Written agreements were not entered into for some betterments and other betterments had written agreements that did not contain provisions for scenarios involving cost overruns or related payment schedules. The following are examples of betterments that should have been better negotiated and documented.

- The MODOT betterments totaled over \$14 million and included lowering a section of track that passed under Interstate 64 at the request of MODOT and mutually agreed changes to the track alignment along Interstate 170. Both Metro and MODOT officials indicated that a mutual understanding regarding the design, cost, construction, and settlement for these betterments was reached before work was initiated. The statewide transportation improvement plan contained funding for these betterments. Under a formal agreement signed in September 2001, MODOT committed \$300,000 for redesign of the project. Metro and MODOT amended the preceding agreement in April 2007, nearly 8 months after the initiation of revenue service, with MODOT agreeing to fund an additional \$9.7 million and transfer right of way valued at \$852,000 related to lowering the alignment. In June 2007, nearly 10 months after the initiation of revenue service, Metro and MODOT entered an agreement under which MODOT would provide \$1.5 million and land valued at \$1.67 million for track realignments, utility relocations and a 0.44 acre commuter parking lot near Interstates I170 and I64. The MODOT payments were received on April 5, 2007 totaling \$11.5 million in cash with the remaining \$2.5 million in land, rights of way and easements.
- The betterment agreements for changes to the Brentwood Boulevard and Forest Park Parkway with St. Louis County and the city of Clayton did not include

provisions detailing the responsibility for cost overruns. The original estimated cost of this betterment was \$1.28 million; however, in June 2005, Metro determined the actual cost to be nearly \$3.2 million. Metro indicated that both the city of Clayton and St. Louis County have rejected repeated attempts to resolve the amounts due.

- A betterment agreement with the city of Brentwood to incorporate a bridge extension had an estimated cost of \$6.2 million. The written agreement required the city to be responsible for cost overruns. The city has paid \$6.783 million; however, the total cost of this betterment project was over \$8.4 million. Metro indicated the city has located a future funding source.
- Metro entered into a written agreement with Washington University under which the university paid \$125,000 toward the cost of redesigning the entrances to the Skinker Station. The agreement required Metro to pay for increased construction costs totaling \$384,045 related to the design change. Metro and the university also had not finalized a written agreement for changes to the Washington University pedestrian bridge. Metro has billed the university for \$163,000 and identified an additional \$25,000 in costs that they have not billed.

In any future projects, Metro should ensure written funding agreements for betterments are finalized before proceeding with changes in design and issuance of change orders. Metro should also ensure these written agreements specify parties responsible for cost overruns and establish terms for when payments are due. Furthermore, efforts should continue in an attempt to recover remaining costs related to the abovementioned betterment projects.

WE RECOMMEND the Metro ensure written betterment funding agreements are finalized before proceeding with changes to construction projects. The funding agreements should specify those parties responsible for cost overruns and establish payment schedules. Metro should continue to negotiate with the entities regarding unrecovered costs related to betterment projects included in the completed Cross County Extension Project.

AUDITEE'S RESPONSE

Metro will only enter into formal construction funding agreements with outside parties if the party agrees to cover all costs associated with the contemplated improvement. Metro is aggressively pursuing negotiations with all named parties for the recovery of outstanding balances on the Cross County project.

It is important to understand that these betterments were the result of project elements required by the municipalities, St. Louis County, and Washington University. Metro agrees that these added costs should be recovered and is taking action as outlined in the following chart:

<i>Description</i>	<i>Action Plan</i>
<i>Brentwood</i>	<i>Brentwood has agreed to honor the agreement in place. Payment is scheduled for 2011.</i>
<i>St. Louis County</i>	<i>Metro has discussed this obligation with the County. The County does not agree that this is their obligation. Metro will continue its efforts with St. Louis County for recovery of costs.</i>
<i>City of Clayton</i>	<i>Metro has issued a demand letter, and ongoing dialogue is underway between the CEO of Metro and the City Manager.</i>
<i>Washington Univ.</i>	<i>Agrees to reimburse Metro in full.</i>
<i>City of St. Louis</i>	<i>Agreement reached to offset outstanding obligations.</i>

Metro has been responsibly pursuing these outstanding obligations and will ensure that thorough written agreements for betterments are in place in all future projects.

5.	Legal Costs
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Metro paid over \$21.4 million for legal, expert witness, and other expenses related to the Cross County Collaborative lawsuit. Metro's internal audit unit performed a review of the legal expenses following the conclusion of the lawsuit and questioned nearly \$700,000 in charges from four firms. Those firms provided some additional documentation, one firm offered a discount of \$47,148, and the questioned costs were settled for a total of \$194,370 in credits and repayments. In addition, Metro did not enter into contracts with two firms for which the charges exceeded \$6 million.

We obtained an understanding of the work performed by the internal audit unit and also reviewed the invoices of the four firms for which charges had been questioned. We also tested invoices of other firms providing legal services and concluded that the procedures and criteria used by the internal audit unit to identify the questioned charges were adequate and consistently applied.

Prior to payment, the invoices for legal charges had been approved by Metro's general counsel and/or CEO. Questionable items included invoices that lacked sufficient detail, explanation, or documentation of work performed, an unreasonable number of hours charged for one individual, expenses for travel, meals, and hotel which exceeded usual and customary rates and/or federal reimbursement rates, unnecessary travel, interest, or duplicate charges, and charges in excess of contracted rates. The following table indicates the amounts of questioned and recovered charges for the four firms.

Firm	Questioned Charges	Recovered Charges
1	\$ 514,876	3,162
2	75,190	47,469
3	77,314	77,314
4	29,168	19,277
Total	\$ 696,548	147,222

In addition to the recovered charges, one firm granted Metro a 10 percent discount, totaling \$47,148, on the remaining balance due. In the future, Metro should ensure invoices for professional services are adequately reviewed and charges are in accordance with contracted rates and terms before payment is made.

Metro also did not enter into an agreement with one firm that was paid nearly \$2.4 million, and only prepared a draft agreement for the services of another firm that was paid over \$3.6 million. Metro should ensure professional service contracts are in place so that the duties, rates, conditions, and terms of the services to be provided are clearly delineated.

WE RECOMMEND the Metro ensure invoices for professional services are thoroughly and adequately reviewed and charges are reasonable, proper, and in accordance with contracted rates and terms. In addition, Metro should ensure written agreements are entered into for all professional services.

AUDITEE'S RESPONSE

Metro currently reviews invoices for special counsel and expert witnesses. Metro will require that written agreements comply with Board Policy.

6. Public Meetings and Public Records Policy

Metro has not complied with board policies regarding public meetings. Metro did not record the votes to go into closed session, did not specify topics to be discussed in closed session, and did not record individual member votes in closed session. Metro also did not report the actions taken in closed board meetings in the open session and has not established procedures to periodically review closed session minutes to determine the necessity for continuing confidentiality.

- A. Metro's Public Meeting policy, Section 10.070 of the board policy book, indicates, "The agency shall be guided by the open meeting laws of Missouri or Illinois pertaining to the opening of closed minutes and votes, as if such laws were applicable to the Agency." Chapter 610, RSMo, sets forth the procedures for conducting open and closed sessions, records that must be kept, and when closed records shall become open records. Chapter 5 of the Illinois Compiled Statutes Section 120 also addresses conduct of open and closed meetings.

Although the specific requirements of each state's laws vary, both require individual member's votes to enter closed session to be recorded in open session minutes and restrict discussions in closed session to topics specified in the motion to close the meeting.

Metro did not record the votes of each member to enter closed session, and motions to enter closed session did not cite the specific topics to be discussed or exceptions to the open meeting laws that would permit the closed session.

- B. Metro did not record votes taken in closed session to be by roll call as required by Missouri law. In addition, Illinois law requires a verbatim record of all closed meetings and a record of any votes taken. Illinois law also specifies that no final action may be taken at a closed meeting and the final action shall be preceded by a public recital of the nature of the matter considered and other information that will inform the public of the business conducted.
- C. Metro board policy 10.070 (E) states, "Minutes of meetings closed to the public shall be available only after the Board determines that it is no longer necessary to protect the public interest or the privacy of an individual by keeping them confidential." Missouri law limits the time that certain closed session discussions, minutes, and votes on legal issues, real estate, personnel matters, bids, and contract awards are to remain closed records. Illinois law requires a public body to meet, at a minimum, semi-annually to review minutes of closed meetings and determine that the need for confidentiality still exists as to all or part of those minutes, or should the minutes be available for public inspection. The results of this determination must be reported in open session.

Metro has not developed procedures for periodic review of the closed session minutes to determine the necessity for continued confidentiality or release of all or a portion of the closed minutes for public inspection.

WE RECOMMEND the Metro:

- A. Record the votes of members to go into closed session by roll call, and ensure the motion to go into closed session cites the specific topics to be discussed in closed session and the exceptions to the open meeting laws that would permit the closed session.
- B. Record all votes in closed session by roll call, and report final actions by a public recital of the nature of the matter considered and other information to inform the public, in a manner that protects the public interest, of the business being conducted.
- C. Establish procedures to periodically review closed minutes and release minutes or portions of minutes for public inspection where confidentiality is no longer required to protect the public interest.

AUDITEE'S RESPONSE

- A. *Metro believes based upon advice of legal counsel that we are in compliance with the laws of the state of Illinois and Missouri. However, to clarify this issue Metro will amend Board Policy 10.070 Public Meetings to provide that any motion to go into closed session will state the specific reason for holding such closed sessions.*
- B. *Metro will amend Board Policy 10.070 "Public Meetings" to specifically provide that the minutes include a roll call vote during open session on the motion to go into closed session; to specifically require that the votes taken in closed session will be by roll call; and that such roll call votes will be included in the closed session minutes. The amendment will also provide that discussions and votes in closed session on matters that have become public will be included and reported in the open session portion of the minutes.*
- C. *Metro will amend Board Policy 10.070 "Public Meetings" to provide that General Counsel will review closed session minutes periodically to determine the necessity for continuing confidentiality. The Board Policy amendment will also require that General Counsel will report the results of such review to the Board of Commissioners in open session at a regularly scheduled meeting.*

7.

Compensation Issues

The Metro Board of Commissioners has approved and paid bonuses, executive stipends, severance payments, and retroactive raises since 2003 totaling at least \$704,600 to three executive employees who reported directly to the board. The board also approved one time economic bonuses totaling over \$810,000 and granted retroactive pay increases totaling over \$166,000 for salaried employees. In addition, retention incentives totaling \$145,460 were made to 14 employees of the engineering division without explicit approval of the board. The practices of providing these types of additional compensation payments are unusual and questionable in most government agencies. In addition, these practices may violate Article V of the interstate compact under which Metro was established.

- A. 1. Metro entered into employment agreements with the former chief executive officer (CEO) that included provisions for executive stipends or bonuses if the board determined that certain established organizational performance goals, measures, or benchmarks had been met or exceeded. Those goals and measures generally included increasing system revenue; decreasing system expenses; increasing on time performance; increasing ridership; increasing employee diversity; maintaining compliance with the Americans with Disabilities Act; reducing customer complaints; planning and implementing major capital projects including maintaining the project budget, meeting project timelines, and securing project financing; and securing additional funding sources.

Certain members of the board performed the former CEO's annual performance evaluation which included reviewing a report prepared by the CEO indicating whether the established goals and measures had been met or partially met. From 2003 through 2007, the board granted the former CEO the maximum bonus amount allowed. The former CEO received a total of \$160,000 in bonuses; \$25,000 in 2003, 2004 and 2005; \$35,000 in 2006; and \$50,000 in 2007.

As part of the annual evaluation the board also set the former CEO's salary for the year. In 2004, the board delayed the former CEO's annual performance evaluation until November 2004, when the board approved a \$25,000 raise. The board made the raise retroactive to February 2004, resulting in retroactive payments totaling about \$18,750.

In December 2007, the former CEO was provided a notice of termination by the board. Under the terms of his employment agreement he received a severance package which included \$250,000, continuation of benefits including insurance for 12 months with the full cost paid by Metro, full salary for the 30-day notification period, and \$4,800 for one year's auto allowance. He also received \$38,461 for accumulated vacation time of 120 hours and 200 hours of vacation time awarded by the board after the notice of termination was sent. The award of the additional 200 hours of vacation was not a requirement of the employment contract. The former CEO was allowed to make the 5 percent maximum contribution to Metro's 401(k) basic deferred compensation program which resulted in a 50 percent match of \$7,211 by Metro. In March 2008, the board denied a request from the former CEO to be granted an additional 2.76 years of service for the purposes of qualifying for lifetime medical benefits, a benefit granted to Metro salaried employees with at least ten years of service.

2. Metro also had an employment agreement with the former general counsel that included a provision for incentive compensation; however, the provision did not specify limits on the amount of any bonuses and included no performance criteria or benchmarks upon which the amount of the bonus would be based. The board granted bonuses of \$14,000 for fiscal year 2005 and \$20,000 for fiscal year 2006 to this employee. These amounts were paid in January 2007. In fiscal year 2007, the employee was granted a one time economic bonus of \$4,095 shortly after the board granted one time economic bonuses to other salaried employees. The board did not perform an annual performance evaluation for this employee for fiscal year 2007.

In December 2007, the board authorized the chairman to enter into discussions with the former general counsel to mutually terminate employment. Subsequent to that date, the former general counsel

performed limited duties for Metro and was not physically present at Metro headquarters except on rare occasions and continued to receive her regular salary and benefits. In March 2008, nearly three months after the board had authorized discussions regarding termination, the board granted the employee a 5 percent raise totaling \$6,825 annually, made the raise retroactive to July 1, 2007, and issued a notice of termination with a termination date of April 4, 2008. In June 2008, the board authorized final payments to the employee for the retroactive portion of the raise of about \$5,120 and one final bi-weekly salary payment of about \$5,520 for the pay period ended April 10, 2008, a severance payment at the increased annual base rate of \$143,325, continuation of benefits including insurance for 12 months with the full cost paid by Metro. The board also approved payment for 240 hours of additional vacation time totaling over \$16,500 that was not a requirement of the employment contract.

3. The board appointed an existing internal audit employee as interim director of internal audit in July 2006, and increased this employee's annual salary for serving as interim director. The board hired a new director of internal audit in October 2007, and the interim director was returned to her former position and salary. In November 2007, the board granted the former interim director an executive stipend of \$4,000 per month for six months as additional compensation for increased duties assisting in the transition period for the new director of internal audit.

In total the additional compensation granted to the above employees was \$704,600. The board should evaluate the necessity of the above indicated practices.

- B.
 1. In August 2006, the board authorized a one-time economic bonus to 456 salaried employees totaling \$810,210. To qualify for the bonus, the employee had to be still employed, and not have received a negative annual performance evaluation in 2005. The minimum bonus amount was \$1,000. The bonus was calculated based on evaluation scores and a comparison of employee's salary to the market range established by a market comparison study. The percentage of salary received as bonus ranged from 1.5 percent to 5 percent. The dollar amount ranged from \$1,000 to \$5,910. In fiscal years 2005 and 2006, a salary freeze was in effect.
 2. On August 28, 2007, the board approved a merit increase for fiscal year 2008 averaging 4% to salaried employees with a projected cost of \$1,083,370. The raise was made retroactive to July 1, 2007, or eight weeks prior to the approval date, resulting in approximately \$166,600 in retroactive payments. The lowest raise noted was \$330 per year and the highest raise noted was \$26,875. About 450 employees received a raise

while about 50 recently hired or promoted employees did not receive a raise.

The board should re-evaluate its practices of granting one-time economic bonuses and retroactive raises.

- C. Metro established a retention incentive program in December 2005, to retain engineering employees until the completion of the Cross County Extension project. Employees who worked on the project until their services were no longer required would receive a retention incentive of 15 percent of their base pay upon termination. In April 2006, the program was enhanced to include up to six months of guaranteed employment following the date the employee's duties on the project ended. During the guaranteed employment period, the employees performed various duties within the engineering division. Employees in those positions were allowed to apply for transfer to open or newly created positions within Metro.

Fourteen employees qualified for the retention incentive and received a total of \$145,460 in incentive payments. The retention incentive program was reported to the board as an informational item only. The board did not take any action to approve or disapprove of the plan or the addition of the guaranteed employment provision. The board should re-evaluate the practice of allowing retention incentive programs and should require such programs be submitted to the board for formal consideration.

The interstate compact which established Metro is formalized in Section 70.370, RSMo. Article V of this compact states "The bi-state agency is hereby authorized to make suitable rules and regulations not inconsistent with the constitution or laws of the United States or of either state..." Article III, Section 39 of the Missouri Constitution prohibits any county or municipal authority from granting any additional compensation for service previously rendered. Furthermore, Attorney General's Opinion No. 72 to Pray states, "... a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." These provisions question the propriety of Metro's practices of granting additional compensation in the form of bonuses and retroactive salary increases to employees after services have been rendered.

WE RECOMMEND the Metro evaluate the propriety and necessity of the practices of granting bonuses, executive stipends, severance packages, retroactive salary increases, and retention incentives. If any such payments are granted in the future, at a minimum these payments should be formally approved by the board.

AUDITEE'S RESPONSE

Metro's policies and procedures are consistent with best practices, policies and procedures and Missouri law.

Metro agrees that the Board of Commissioners should approve the granting of any such payment to Metro employees. Metro's Board of Commissioners has in fact approved the granting of all payments to Metro employees. Management has always followed the practice of obtaining Board approval for the compensation plan for salaried employees, the overall pay increase granted to salaried employees for fiscal year merit raises, as well as approval for each of the labor agreements that establish pay and benefits for Metro's union workforce. In fact, the Board approved the following payments questioned in the audit, either in Board Policy, or in action relating to the individual payment, or both.

A brief summary follows:

Bonuses - The payments to the President & CEO and General Counsel were provided for in accordance with their respective employment contracts. The Board of Commissioners approved both their contracts and the payments to the President & CEO and to General Counsel.

Executive Stipend - The one-time payment was granted by Board action to compensate an employee for serving as the Acting Director of Internal Audit.

One-Time Merit Payment – In 2006 the Board of Commissioners approved a one-time payment to all salaried employees based on their fiscal year 2005 performance evaluation. The one-time payment was made in lieu of the usual annual merit increase provided for by Metro Policy. This one-time payment was determined to be the most fiscally responsible way of recognizing performance, because the one-time payment did not increase the employee's base pay; therefore Metro did not incur any ongoing costs.

Retroactive Merit Based Salary Increases – The Board approved compensation policy grants the authority for a salary increase based upon an employee's annual performance evaluation. Retroactive payments are necessary because every employee's performance evaluation is due on June 30th and merit based pay raises are effective July 1st. Since the information needed to prepare an objective, performance-based evaluation and corresponding pay increases for all employees takes a considerable amount of time to complete, in fairness to the individual employee the Board approved a policy allowing for calculation of merit pay raises to be retroactive to July.

Retention Incentive - As the end of the Cross County Extension project approached, a number of employees who were essential to the successful completion of the project began to seek permanent employment elsewhere; therefore, the one-time retention incentive program was developed to retain the current employees working until the completion of the project. The Board was briefed on the program prior to its implementation, clearly understood its importance to the successful completion of the Cross County Extension; and, if the Board believed it to be appropriate, could have acted to end the program. Retention or stay bonuses are an accepted business practice in a variety of organizations. Metro believes that this approach was in the taxpayers best interest and is not a practice for which Metro should be criticized.

The Auditor states that this practice may violate Article V of the Interstate Compact under which Metro was established. Metro did not violate Article V of the Interstate Compact. The Metro

Board of Commissioners sought legal advice regarding incentive compensation for Agency employees. Based on a thoroughly researched opinion, which cited relevant case law in both Missouri and Illinois, counsel opined that the payment of such incentive compensation did not violate the constitution of either Missouri or Illinois.

8. Questionable Expenditures

Metro expended at least \$60,906 in fiscal year 2007 for food, gift cards, retirement gifts, employee incentive and driver competition awards, and other non-essential purchases. During fiscal years 2003 through 2005 Metro expended at least \$408,000 for similar items.

- A. We obtained Metro expenditure records for fiscal years 2003 through 2005 and reviewed expenditure descriptions and vendor names for expenditures that did not appear to be prudent, reasonable, or a necessary use of funds or essential to Metro's operations. Only about 10 percent of the 2003 through 2005 records included descriptive words, such as gift or award in the description field. As a result, it is likely that additional questionable expenditures were incurred but were not noted by our audit procedure. After we resumed our audit in February 2008, we performed similar procedures for fiscal year 2007 expenditures.

We identified questionable expenditures, including contributions, food, employee gifts and awards, and expenses for holding annual driver competitions or rodeos. Overall, Metro spent at least \$60,906 in fiscal year 2007 and over \$408,000 in fiscal years 2003 through 2005 on items and services that did not appear to be prudent, reasonable, necessary, or essential uses of funds, as noted in the following table:

Questionable Expenditures

Category	2007	2003 to 2005
Contributions/Dues	\$ 14,300	121,920
Food	14,052	67,220
Gifts and Awards	16,587	96,276
Rodeo	14,526	100,750
Other	1,441	22,030
Total	\$ 60,906	408,196

We noted the following examples:

1. Metro paid dues and made additional contributions to a non-profit regional economic development agency that in part supports political lobbying efforts and is influential in regional and state politics. That organization's

membership brochure indicated 10 percent of the funds are non-deductible lobbying expenses. Metro indicated the dues and contributions are paid from the business enterprises funds and not from transit funds. Payments to the regional economic development agency totaled \$136,220.

2. Metro purchases food and catering services for a wide variety of meetings, dinners and award banquets, including food for meetings of the board of commissioners, cakes, donuts or snacks for employee celebration days, driver recognition dinners, rodeo participants, attendees and judges, Christmas/holiday luncheons, labor negotiations, attendance at a recognition dinner for a member of the board held by an outside entity, and subsidized luncheons for women and ethnic celebrations. The amounts listed do not include foods purchased with petty cash funds, procurement cards, corporate cards, or meals recorded on employee expense accounts. Food purchases totaled \$81,272.
3. We noted expenditures totaling \$112,863 for gift cards, awards, and retirement gifts. Metro has established several employee incentive programs and rewards employees for good performance by giving them gift cards, cash prizes, or other gifts and by providing food and incurring other expenses for employee award meetings and other functions and gifts at retirement. Metro purchased gift cards and other items, such as retirement watches, plaques, and personal exercise equipment as incentives for employees to participate in volunteer, safety, or employee wellness programs. Employees who volunteered to work outside of normal work hours as ambassadors or public information assistants during public events were given gift cards ranging in value from \$10 to \$25 per shift. Those employees were also granted compensatory time for the hours worked.

Employees within the transit division could participate in various maintenance team and driver competitions and earn points for meeting certain criteria. Monthly winners would receive \$25 to \$100 gift cards and many also received a day off with pay. Two employees were given gift cards of \$500 each for their efforts in remodeling an office/storage area at the Downtown St. Louis airport. Employees of the Arch business enterprises unit were given gift cards if they referred a potential new employee and that new employee continued to work for more than a minimum period of time. Employees of the Call-A-Ride unit were given gift cards for receiving an "extra mile" award based upon outstanding customer service. Those awards ranged from \$25 to \$150. Call-A-Ride also had a monthly raffle drawing for ten \$50 gift cards and employees who had perfect attendance, no accidents, no complaints, and no disciplinary reports were entered into the raffle for each qualifying category. There was also a monthly raffle for ten \$15 gift cards with all employees qualifying. If the employee name was drawn and the employee

could produce the previous months employee newsletter they won a gift card. Some ambassador, safety incentive, and Call-A-Ride gift cards could not be accounted for and the records of card recipients for some programs and time periods were not retained.

Metro had a policy that the gift cards, since they were considered to be of negligible value, would not be reported on the employees W-2 forms. Metro indicated they changed that policy and developed a procedure under which most employee incentives would be paid directly through payroll, or at least reported to payroll for tax reporting purposes. After this change the purchases of gift cards decreased, however, the total dollars expended for these types of employee incentives was not reduced.

Metro indicated that nominal gifts and awards for employee incentives are an accepted industry practice and would be allowable under Missouri governmental purchasing guidelines.

4. Metro holds annual local skills competitions or "roadeos" for train, bus, and van drivers and mechanics, and provides awards to the winners and food and clothing items for participants, judges and attendees. Skill competitions for drivers include a technical driving obstacle course, pre-trip inspection, assisting wheelchair passengers and a written test on defensive driving and traffic laws. Mechanical skill competitions include identification of planted defects and a technical driving obstacle course. Local winners received up to \$500 and paid leave and expenses to compete in regional or national competitions. Payments to winners were reported on the employees' W-2 forms. We were able to identify roadeo expenditures totaling \$115,276 over the four-year period.

Metro officials indicated that the safety incentive programs which include the departmental roadeos are operated in conjunction with a self insurance cost reduction program that has resulted in a significant reduction of the number of vehicle accidents and the cost of the employee workers compensation program, and has reduced liability claims due to accidents and rider medical claims.

5. Metro paid \$6,000 in advance to a local theatre company for performances that were to be held in 2004. The performances were supposed to provide disability sensitivity training to Metro employees. After the payment was made, Metro and the theatre company could not agree on the performance dates. After we questioned this expenditure, Metro determined the performances were not held and requested a refund. The theatre company provided two performances in 2006 and Metro estimated a total of 120 employees attended the performances.

Other questionable purchases included two \$600 performances by a local repertory company to celebrate African-American History month, a payment of \$3,120 for mailing costs of a joint advertising brochure prepared for the St. Louis Rams, and \$1,955 for holiday cards.

We requested additional documentation for 41 of the above expenditures and determined Metro did not follow expenditure approval procedures in 2 instances, did not retain sufficient invoice detail in 4 instances, charged an incorrect expenditure classification code in 4 instances, and did not retain adequate documentation of bidding procedures in 3 of 9 applicable instances, and paid sales taxes on one purchase.

Although some of the amounts noted are small in relation to Metro's overall operating expenditures, Metro should ensure all expenditures are prudent, reasonable, necessary, and essential to the operations of Metro. A contributing factor regarding the abovementioned questioned expenditures may have been the lack of formal policies governing these types of expenditures. Metro should establish written policies regarding contributions, food purchases, and employee incentive programs.

- B. Metro has not developed procedures similar to those used by the auditors to review expenditures to identify problematic transactions. Metro's expenditure records include an electronic document archive (EDA) storage and retrieval system in which supporting documentation for expenditures is scanned and available for viewing. Furthermore, the financial records include a description field; however, information describing the goods or services being purchased was often not recorded. Metro also assigns account codes to each line item purchase but the account codes are often too general to identify the specific goods or services purchased.

To take full advantage of financial system capabilities, Metro should require the description field be completed for goods or services purchased, perform periodic reviews of expenditure records to identify problematic transactions, and review supporting documentation to determine compliance with Metro policies and procedures.

- C. In addition to the selective review of expenditures discussed in Part A above, we also performed a random test of 60 expenditure items from the period January 1, 2005 to June 30, 2005, having a line item cost exceeding \$5,000 and the payment was for services, goods, utilities, insurance, leases and rents, and other general expenses categories. We only included expenditures of the transit and agency general companies. We reviewed these transactions and related documentation for compliance with internal control procedures.

Our exceptions included 3 instances where some proper or required approvals were not documented. We also noted one payment to a cleaning services firm in

which the rate billed exceeded the contractual rate by \$528 in one month. After bringing this exception to the attention of Metro officials, Metro determined they had overpaid this amount for 30 additional months, resulting in credits totaling \$15,846.

Our test results indicate the established internal controls procedures over expenditures are generally operating as designed but exceptions do exist. Allowing exceptions to be processed through the expenditure system increases the risk that improper payments could be made. Metro should ensure established internal control procedures over expenditures are operating as designed.

- D. Metro allowed senior management officials to charge travel expenses to corporate credit cards that exceeded Metro's travel policy and federal reimbursement rates used by Metro to question expenses of other vendors. In addition, Metro did not require detailed receipts for some corporate card transactions.

Metro has established a credit card account with a national credit card company and issued cards to thirteen current and five former senior management officials. From October 1, 2006 through March 1, 2008, purchases totaling over \$175,000 in goods and services were charged to these cards. The items purchased included airline tickets, hotels, meals, professional organization memberships, conference fees, and meals served to patrons of certain riverboat cruises. We selected 24 higher dollar transactions totaling nearly \$23,000 for further review. The items selected were 8 meals, 8 hotel charges, 3 airline tickets and 5 miscellaneous purchases. We and noted the following concerns:

- Five receipts totaling \$1,364 were for meals which did not include a detailed list of items served.
- For 2 of the 8 meals purchased, the cost per person exceeded Metro's travel policy and the normal and customary per diem meal allowance established for federal reimbursement rates. These meals totaled \$107 and \$172.
- Four meal receipts totaling \$1,236 did not indicate the number of persons present so we could not determine if federal reimbursement rates were exceeded.
- Seven of eight hotel charges exceeded federal reimbursement rates for the location and time of year for the travel. These charges ranged from \$88 to \$354 per night. The comparable federal reimbursement rates ranged from \$70 to \$201. In total, the hotel charges of \$9,504 exceeded the federal reimbursement rates by \$2,670. Metro's travel policy requires lodging accommodations to be reasonably priced.

Metro had not established spending restrictions, purchase limits, or monthly spending limits for these credit cards. After we made inquiries regarding these

accounts, monthly purchase limits of \$10,000 to \$25,000 were established. Cardholders were required to submit receipts for each transaction on the individual's credit card statement; however, our review of card usage noted some receipts were the credit card charge slip and included no detail for purchases.

As noted earlier in this report, Metro requested refunds and credits from professional services vendors for travel expenses exceeding federal reimbursement rates. It would appear appropriate for Metro to establish similar limits regarding business travel expenses incurred by its management staff.

WE RECOMMEND the Metro:

- A. Ensure all expenditures are prudent, reasonable, necessary, and essential to the operations of Metro. To formalize operating practices, Metro should establish written policies regarding expenditures and practices related to contributions, food purchases, and employee incentive programs.
- B. Require the expenditure records contain a description of the goods or services being purchased, perform periodic reviews of expenditure records to identify problematic transactions, and review supporting documentation to determine compliance with Metro policies and procedures.
- C. Ensure internal control procedures over expenditures are operating as designed.
- D. Revise policies to limit business travel and meal expenses to federal reimbursement rates, ensure credit card expenses comply with those policies, and require detailed receipts to be submitted for all expenses charged to corporate credit cards.

AUDITEE'S RESPONSE

- A. *Metro does, in current practice, ensure that our expenditures are reasonable and prudent and for that reason, takes exception to the State Auditor's finding related to membership in the local chamber of commerce, the Regional Chamber & Growth Association (RCGA). The RCGA provides important services to Metro and provides us with a voice in local, state and federal issues. Metro is an important organization and, as such, should participate to the fullest extent possible in legislative activities affecting our agency. In fact, the State of Missouri (see Missouri Administrative Policy SP-2) acknowledges the importance for state agencies to be involved in organizations that are stakeholders in the mission of agencies. The State of Missouri authorizes these agencies to reimburse or directly pay for these memberships. Hence, Metro finds this expenditure prudent, reasonable, necessary and essential to the operations of Metro.*

Metro believes and recognizes the importance of incentive programs as a means to reward employees for voluntary participation during special events such as Fair Saint Louis. High patronage events introduce the transit system to new or infrequent riders

who need additional assistance. Metro encourages employees to volunteer with taxable gift cards of up to \$25.00, depending on the shift, or other incentives. Hence, Metro finds this expenditure prudent, reasonable, necessary and essential to its operations.

Metro recognizes that providing food and refreshments during training sessions, certain conferences and regular Board meetings promote the efficient conduct of business. Again, the State of Missouri has promulgated policy SP-5 for such expenditures. Metro is in compliance with state guidelines and finds these expenditures to be prudent, reasonable, necessary and essential to its operations.

Finally, Metro agrees that documented procedures will strengthen internal controls surrounding expenditures for the above programs, local meetings expense and incentive programs such as the Transit Ambassador Program.

Formal operating procedures will be implemented to document existing practices by September 30, 2008.

- B. The observation that expenditure records do not contain a description of the goods and services being purchased is not accurate.*

In 2006 Metro went from an out-dated mainframe accounting system to a state-of-the-art Oracle Enterprise Resource Planning (ERP) System, resulting in the creation of a unified database to serve all the various functions of the organization. Metro's current policies and procedures coupled with the integral controls within the ERP System provide adequate safeguards and documentation for the payment of goods and services. For example, the check request forms used in the old mainframe system, had a small blank space where a brief description could be written. In contrast the ERP's new check request form requires the Cost Center Manager to select an appropriate expenditure code from one of twelve unique categories.

To further strengthen Metro's internal control environment, in mid July 2008, Internal Audit began using the ERP System's capabilities to monitor expenditures.

- C. The Board Audit Committee, the full Board of Commissioners and management have worked diligently to develop, implement and maintain a comprehensive system of internal controls to insure the safety and security of the public funds and assets entrusted to Metro.*

Metro's independent external auditors have issued unqualified opinions, which noted no material weaknesses in internal controls for each of the last five (5) fiscal years.

In the absence of any specific internal control recommendations from the State Auditor, Metro's Board Audit Committee and Board of Commissioners will continue to seek advice from Metro's internal auditors and independent external auditors for recommendations to improve and strengthen the organization's comprehensive system of internal controls.

- D. *Board of Commissioner and Staff travel is generally limited to training and attendance at conferences that are not available in the St. Louis metropolitan area, such as industry organizations, and meetings with state and federal authorities. These meetings are usually held at convention/conference hotels in major cities with pre-established conference room pricing. Metro will revise and formally incorporate the federal government's GSA rules and the submission of detailed receipts into its travel policy by September 30, 2008.*

Additionally, Metro will develop a formal Credit Card policy by September 30, 2008.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

METRO (ST. LOUIS) HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Metro was established as the Bi-State Development Agency of the Missouri-Illinois Metropolitan District in 1949 by an interstate compact approved by officials of the states of Illinois and Missouri. The compact was approved by the United States Congress and the President in 1950. A ten-member Board of Commissioners sets policy and direction for the Agency. The governor of Missouri appoints the five Missouri Commissioners. In Illinois, the Chairman of the Board for both St. Clair and Madison counties appoint five commissioners. Commissioners must be resident voters of their respective states and serve terms up to five years. Under the compact, the Agency has broad powers to plan, construct, maintain, own and operate bridges, tunnels, airports and terminal facilities, plan and establish policies for sewage and drainage facilities and other public projects, issue bonds and exercise such additional powers as conferred upon it by the legislatures of both states. In 2003, the Agency adopted the name "Metro" for doing business.

The Agency and its services as it exists today has developed over more than a 50 year period. In the 1950's, the Agency developed regional plans and conducted surveys and studies for development of the metropolitan district. In 1953, construction of a 600 foot wharf in Granite City, Illinois was undertaken. In 1962, the Agency was asked to fund and operate the tram system for the Gateway Arch. In 1963, the Agency purchased and consolidated 15 privately-owned bus transit firms, and in 1964, Metro purchased the Parks Metropolitan Airport at Cahokia, Illinois, which is now known as the St. Louis Downtown Airport. In 1983, Metro began construction of the Arch Parking Garage. In the late 1980's construction of the MetroLink light rail system was begun, and the original 17-mile corridor from Lambert International Airport to Fifth and Missouri in East St. Louis was opened in July 1993. Metro then opened a 17-mile extension of the light rail system in St. Clair County, Illinois in May 2001, and in June 2003, an extension of the Illinois corridor to Scott Air Force Base opened. In July 2001, Metro also purchased the Becky Thatcher and Tom Sawyer Riverboats. In August 2006, the Cross County Extension to Shrewsbury opened.

Funding sources include transit system fares and revenues from the airport, the arch transportation system and parking garage, and riverboat and riverfront activities. Metro receives funding under the Missouri Transportation Sales Tax Act and the regional Proposition M transportation sales tax collected in the city of St. Louis and St Louis County, Missouri, as well as grants from the Missouri Department of Transportation. Metro receives funding from the Illinois Department of Transportation, the Metro East Transit District of St. Clair County, the St. Clair County Transportation District, and grants from the Federal Transit Administration, the Federal Aviation Administration, and the Illinois Department of Aeronautics. Metro's Transit Division operates the Metro Bus, MetroLink (light rail), and Metro Call-A-Ride (demand response) transit services.

In fiscal year 2007, the Metro transit system carried about 54 million customers and operated over 28 million revenue miles of service in a 600 square mile area including the City of St. Louis and St. Louis County in Missouri and St. Clair and Monroe Counties in Illinois. Metro employs

approximately 2,200 people. Total assets at June 30, 2007, were approximately \$1.9 billion. The following table presents the projected sources and uses of funds as reported in the Metro annual budget for fiscal year 2008.

Metro Operating and Capital Budget
Fiscal Year 2008 (in thousands)

	Operating	Capital
Sources of Funds:		
State and local assistance	\$ 138,815	118,367
Passenger and service fees	58,455	-
Federal assistance	26,409	220,517
Other	11,682	31,466
Total Sources	235,361	370,350
Uses of Funds		
Wages and benefits	137,111	-
Services	25,279	-
Materials and supplies	15,518	-
Utilities and fuel	23,925	-
Casualty and liability costs	6,013	-
Other, less reimbursements	9,029	-
Capital Projects - MetroLink	-	90,143
Capital projects and equipment - other	-	212,610
New revenue vehicles	-	67,597
Debt service	25,113	-
Total Uses	241,988	370,350
Beginning balance July 1, 2007	21,375	103,550
Ending Balance June 30, 2008	\$ 14,748	103,550

Source: Metro Strategic Plan and Budget, Fiscal Year 2008

Members of the Board of Commissioners serve without compensation. They are reimbursed for travel expense. As of June 30, 2007, the Board consisted of the following members:

Name	Position	Term Ends	State
Hugh Scott, III	Chair	August 2006	Missouri
Jeffrey K. Watson (1)	Vice-Chair	January 2010	Illinois
Fonzy Coleman	Secretary	January 2009	Illinois
Lewis L. McKinney(2)	Treasurer	November 2009	Missouri
Kevin Cahill (3)	Member	November 2007	Missouri
David A. Dietzel (4)	Member	January 2008	Illinois
Harvey A. Harris (5)	Member	July 2007	Missouri
Tadas Kicielski	Member	January 2012	Illinois
Dr. Richard LaBore	Member	November 2008	Missouri
Dr. James T. Rosborg	Member	January 2011	Illinois

(1) Mr. Watson was elected Chair effective July 1, 2007

(2) Mr. McKinney was elected Vice-Chair effective July 1, 2007

(3) Mr. Cahill was elected Secretary effective July 1, 2007

(4) Mr. Dietzel was elected Treasurer effective July 1, 2007

(5) Mr. Harris was replaced by Mr. Vincent C. Schoemehl, Jr. on July 24, 2007

The Board appointed Robert J. Baer, President and Chief Executive Officer on December 17, 2007, replacing Larry E. Salci. Mr. Salci served as President and Chief Executive Officer from February 2002 until December 2007. Other top administrative officials have been hired by the authority and are responsible for various duties. The individuals who served in these positions and their annual salaries as of July 1, 2007, were as follows:

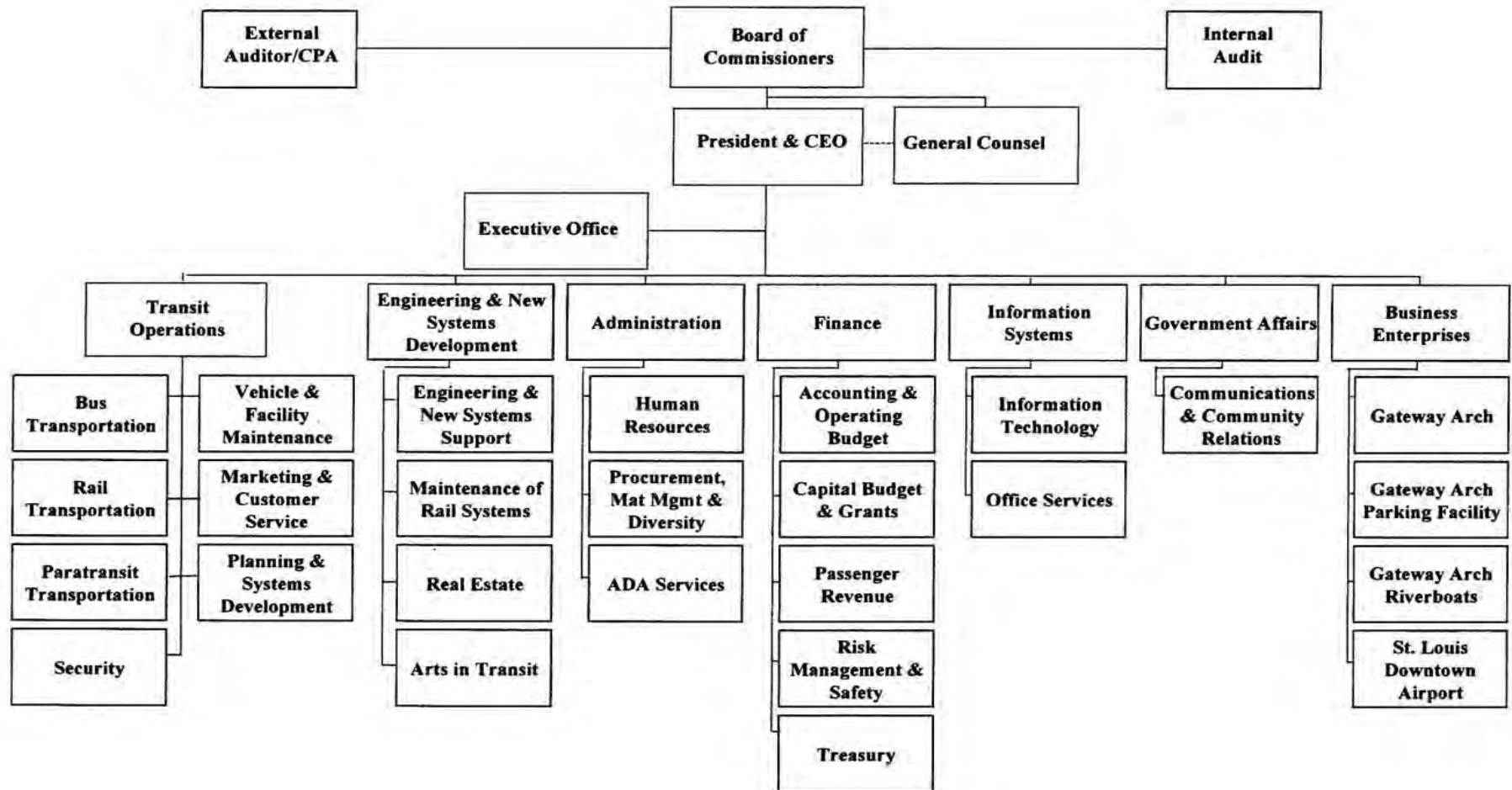
Name	Position	Annual Salary (1)
Larry E. Salci	President and CEO	\$ 250,000
Thomas Sehr	Executive Vice President, Administration	126,324
Raymond A. Friem	Senior Vice President, Transit Operations	145,000
Scott Grott	Acting Senior Vice President, Engineering and New System Development	120,845
Jennifer H. Nixon	Senior Vice President, Business Enterprises	123,750
John M. Noce	Senior Vice President and Chief Financial Officer	128,700
M. Celeste Vossmeier	General Counsel	143,325 (2)
Debra S. Erickson	Vice President, Information Systems	127,671
Larry B. Jaskon	Vice President, Procurement, Inventory Management and Supplier Diversity	122,997
Adella D. Jones	Vice President, Governmental Affairs and Community Relations	94,600
Patrick McLean	Vice President, Marketing and Customer Service	94,600

(1) Most officials were granted salary increases in August 2007 made retroactive to July 1, 2007.

(2) Ms. Vossmeier's salary was set in March 2008 and made retroactive to July 1, 2007.

An organization chart follows:

METRO (ST. LOUIS)
ORGANIZATION CHART
JULY 1, 2007





Susan Montee, CPA
Missouri State Auditor

LABOR AND INDUSTRIAL RELATIONS

Workers' Compensation System

September 2008

Report No. 2008-57



auditor.mo.gov



Improvements Could Be Made To Missouri's Workers' Compensation System

The Department of Labor and Industrial Relations, through its Division of Workers' Compensation (the division), has responsibility for overseeing the state's workers' compensation system. Because of the importance of the workers' compensation system, we focused review efforts on determining (1) the impact of 2005 legislative changes to the workers' compensation system, (2) the adequacy of the medical rating process and the timeliness of benefit payments, and (3) whether other administrative improvements are needed in the system.

Full impact of 2005 legislation not yet known	Legislative changes enacted in 2005 have impacted Missouri's workers' compensation system. The number of workers' compensation cases filed by injured workers and premiums paid by employers decreased in 2006 and 2007. Benefit costs per covered employee declined significantly in 2006 and increased slightly in 2007. However, due to prior downward trends in the frequency of injuries and other factors, the full impact of the 2005 legislative changes is not yet known. (See page 11)
Guidance to injured workers eliminated	As a result of the 2005 legislation, injured workers are no longer provided limited legal guidance by division personnel to help ensure they are getting fair settlements. As a result of the law change, unrepresented claimants have been placed at a disadvantage. Since the new legislation has been in effect, settlements paid to unrepresented claimants have decreased by 14.3 percent. In addition, this legislative change may contribute to an increase in attorney involvement. (See pages 13 and 14)
Medical rating process not providing consistent and predictable results	Missouri's medical rating process has not provided consistent and predictable results for injured workers. Missouri, unlike most states, uses an unstructured approach to the medical rating process. In addition, benefits have not been provided to injured workers in a timely fashion. As a result, injured workers incur delays in getting benefits and may increase attorney involvement. (See pages 17 through 20)
Administration of system could be improved	The number of non-compliance investigations and referrals to the Attorney General have decreased. The amount of fines collected has also decreased. In addition, injury reporting violations have not been monitored or referred for prosecution. Changes are needed in state law to allow the division to base administrative fund tax and surcharge rates on future costs. Without a change to state law, the division cannot adequately plan for future expenditures. Improvements are needed to ensure the accuracy and completeness of the division's database system. (See page 23)

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Abbreviations

ALJ	Administrative Law Judge
CSR	Code of State Regulations
DOLIR	Department of Labor and Industrial Relations
PPD	Permanent Partial Disability
PTD	Permanent Total Disability
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
TPD	Temporary Partial Disability
TTD	Temporary Total Disability
WCRI	Workers' Compensation Research Institute



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Omar Davis, Director
Department of Labor and Industrial Relations
Jefferson City, MO 65102

The Department of Labor and Industrial Relations (DOLIR), through its Division of Workers' Compensation (division), has responsibility for overseeing the state's workers' compensation system. During 2007 injured workers received \$980 million in benefits through employers or employers' insurers. Because of the importance of the workers' compensation system, we focused review efforts on determining (1) the impact of 2005 legislative changes to the workers' compensation system, (2) the adequacy of the medical rating process and the timeliness of benefit payments, and (3) whether other administrative improvements are needed in the system.

We found 2005 changes to the workers' compensation system have impacted the system; however, the full impact of the changes is not yet known. We found the number of claims decreased during 2006 and 2007 and is expected to decrease in future years, in part, due to the law's requirement that work be "the prevailing factor" for injuries to be considered compensable. In addition, benefit costs to employers and insurers, as well as employer insurance premiums, decreased during 2006. However, the full impact on employer insurance premiums will not be known for several years. The 2005 changes also eliminated limited legal guidance provided by the division's legal advisors and administrative law judges no longer can provide any legal guidance. As a result, injured employees without legal representation have been placed at a disadvantage when dealing with insurers. The lack of department assistance may result in increased attorney involvement, slower resolution of cases, and increased system costs.

Improvements are needed in Missouri's medical rating process. Unlike the majority of other states, Missouri's process has not provided consistent and predictable results for injured workers because the state uses an unstructured approach to the medical rating process. Modeling the workers' compensation system after other states could provide more consistent and predictable results. We also found benefits have not been provided to injured workers in a timely manner because state law has not (1) contained clear language as to when the first temporary total disability payment is to be made, (2) required permanent partial disability benefits to be paid in a timely manner once a final rating has been issued, and (3) required timely medical treatment.

Improvements are also needed in the administration of the workers' compensation system. We found noncompliance investigations and referrals to prosecutors and/or the Attorney General, and fines collected as a result, decreased in 2006 and 2007 because of reductions in staffing levels. However, in 2008 the division took

action to increase noncompliance referrals. In addition, violations of the 5-day injury reporting requirement have not been monitored or referred for prosecution. Changes are also needed in state law to allow the division to base the administrative fund tax and surcharge rate formula on future needs. Improvements are also needed to ensure the accuracy and completeness of the division's database system.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel and key contributors to this report included Robert D. Spence, Robert E. Showers, Ryan F. Redel, and Travis Owens.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

Workers' compensation laws in Missouri are administered by the Department of Labor and Industrial Relations (DOLIR), Division of Workers' Compensation (division). According to state regulations,¹ the division administers the law "to insure injured employees receive prompt and adequate medical treatment, payment of benefits of wage loss, compensation for permanent disability and physical rehabilitation for the severely injured by providing assistance to injured workers, to include filing of claims and conducting hearings to resolve disputes between employers and employees relating to Workers' Compensation benefits."

According to DOLIR documentation, the General Assembly initially enacted Missouri's workers' compensation law in 1925, with the law taking effect in 1926, following voter approval. Before workers' compensation laws were enacted, an injured employee's only recourse for a work-related injury was to sue an employer in civil court. To win a settlement an employee had to prove employer negligence. For employers to prevail, they had to prove employee negligence and fault for the injury. These civil cases were often long and expensive.

The workers' compensation law required concessions by management and labor. Management's concession allowed a no-fault system in exchange for labor's concession of exclusive remedy. The no-fault system allows faster recovery for employees who had job-related injuries. It also allows employees with minor injuries to receive benefits without lengthy legal proceedings, previously an obstacle. The intent of the no-fault system was to make payment of benefits for work-related injuries a simple administrative procedure without requiring the courts to determine fault.

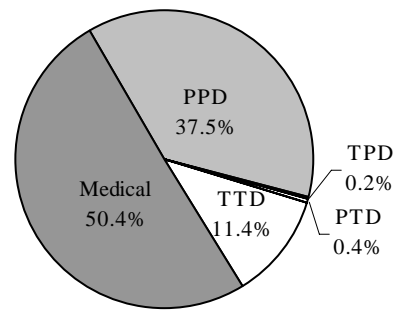
System Costs

The cost of Missouri's workers' compensation system is paid for by employers. Each eligible employer must either carry adequate workers' compensation insurance or become self-insured. Employers pay insurers a "premium," or fee, for coverage. The premium depends on the payroll of the company, the type of work employers engage in, the employer's past experience with workers' compensation and other factors. Self-insured employers are required to post a security bond adequate to cover any potential workers' compensation obligations. All benefit costs, including medical expenses, temporary total disability (TTD), permanent partial disability (PPD), permanent total disability (PTD) and temporary partial disability (TPD) benefits are paid by the insurer or the self-insured employer. Insurers and self-insured employers paid approximately \$980

¹ 8 CSR 50-1.010.

million in benefits in 2007.² Figure 1.1 depicts the breakdown of those benefits by benefit type for 2003 through 2007.

Figure 1.1: Benefits By Type as a Percentage of Total Benefits – 2003 through 2007



Source: Division of Workers' Compensation data.

While medical expenses made up approximately 50 percent of benefit payments from 2003 to 2007, this percentage increased every year during the 5-year timeframe, totaling 53 and 54 percent for 2006 and 2007, respectively. Likewise, the percentage of PPD benefits to total benefits declined every year from 2003 to 2007, totaling approximately 34 percent for 2007. Detailed benefit information for 1997 through 2007 is presented in Appendix II on page 30.

Administration costs of the workers' compensation law, including administrative law judges (ALJs) and all division staff salaries, are paid through an administrative tax/surcharge on employers. Administrative costs totaled \$18.4 million in fiscal year 2008. Administrative costs decreased by 7.1 percent and 5.3 percent in fiscal years 2006 and 2007, respectively, before increasing 14.1 percent in fiscal year 2008. The increases in 2008 were primarily due to a significant increase in workers compensation tax refunds to employers who had overpaid taxes in prior periods. The Administrative Fund balance totaled \$30.4 million at the end of fiscal year 2008. See Appendix I for detailed administrative tax revenue and expenditure figures, as well as Administrative Fund balance information. State statutes contain a formula which the division uses to determine the administrative tax/surcharge rate as well as a formula for the Second Injury Fund surcharge rate. Statutorily, the administrative tax rate cannot exceed 2 percent, and the Second Injury Fund rate cannot exceed 3 percent. These rates are charged to insurers based on total premiums charged and are passed through to employers. The administrative tax/surcharge and Second

² Unless otherwise noted, statistical information presented in this report is on a calendar year basis.

Injury Fund surcharge go into separate funds. We addressed the Second Injury Fund in detail in an April 2007 audit report.³

How system costs compare to other states

According to 2005 data⁴ from the National Academy of Social Insurance, Missouri ranks 17th in the nation and 3rd among its 8 surrounding states in benefits paid per \$100 of wages paid, at \$1.18. Missouri is 14.6 percent higher than the national median of \$1.03 per \$100 of wages paid, and represents a 10.6 percent decline from the previous year.

According to a 2007 report⁵ by the Oregon Department of Consumer and Business Services, which performs a national analysis of workers' compensation premium rates, Missouri workers' compensation premiums rank 24th nationally, and 4th among the 8 states surrounding Missouri. Missouri ranked 26th in the nation in 2000 and 2002, and 22nd in 2004.

While division data shows total medical costs and medical costs per claim are increasing, National Council on Compensation Insurance (National Council) data indicates this is a national trend. In addition, Missouri's medical costs per claim have consistently been at least 25 percent below the national average, according to National Council data.

The Injury Reporting and Resolution Process

Injured workers begin the workers' compensation process by filing a report of injury with employers. The report of injury must be filed by the employee to the employer within 30 days of the work-related accident which caused the injury. The employer is required to report the injury to the insurance carrier, or third party administrator, within 5 days of being notified of the injury, and the insurance carrier is then required to report the injury to the division within 30 days of being notified of the injury. State law allows the employer to select the treating physician. If the insurer or third party administrator determines the injury is legitimate and decides not to contest liability for the injury, all medical costs associated with the injury are paid by the employer or the employer's insurance carrier. In the event the injury causes the employee to take time off work, the employee is awarded TTD benefits to partially replace any lost wages. TTD benefits are to be paid on the same schedule as the employee's regular wages, but at least every 2 weeks.

³ "Second Injury Fund," SAO, April 2007, Report Number 2007-19.

⁴ 2005 was the most recent data available for this statistic.

⁵ "Oregon Workers' Compensation Premium Rate Ranking - Calendar Year 2006," Oregon Department of Consumer and Business Services, Information Management Division, January 2007.

If the injury results in a permanent disability, PPD or PTD benefits are due. The amount of compensation depends on the severity of the disability, the body part injured, and the injured worker's average weekly wage. State law defines the weekly benefits for total loss of each part of the body and for the body as a whole. Partial disability benefits are paid based on the percentage of disability, multiplied by the maximum number of weeks for the body part that has been disabled. For example, the loss of the leg at the knee is statutorily valued at 160 weeks. If an injury to the knee has been determined to have caused a 20 percent disability of the knee, the injury would be paid at 32 weeks (160 weeks times 20 percent). The 32 weeks would be multiplied by the person's compensation rate, not to exceed 55 percent of the state average weekly wage, to determine the individual's compensation. PTD benefits are capped at 105 percent of the state average weekly wage.

An injured worker is not required to file an official claim form to receive benefits. However, a claim form must be filed within 2 years of the date of injury to preserve all of the worker's rights under statute. The period of limitations is extended to 3 years if the employer/insurer does not timely file the report of injury with the Division. An official claim form is typically filed when a case is in dispute. The majority of cases include no permanent disability issues and were not in dispute, and therefore, no claim form. The majority of cases involving permanent disabilities are resolved through lump sum settlement.

2005 Law Changes

Missouri's workers' compensation laws⁶ underwent significant changes, effective August 2005 as part of Senate Bill 1. Changes included (1) more narrowly defining the definition of an "accident," (2) tightening the definition of what constituted a work-related injury by adding language that stated work must be "the prevailing factor⁷ in causing both the resulting medical condition and disability," and (3) strengthening penalties for workers' compensation fraud committed by employers and employees. In addition, the changes eliminated the division's 23 legal advisor positions and created 14 new ALJ positions to add to the existing 26 ALJ positions already in place. These changes were made in an attempt to reduce workers' compensation costs to employers. The impact of Senate Bill 1 is discussed in Chapter 2 of this report.

⁶ Workers' compensation laws are found in Chapter 287, RSMo.

⁷ Prior to Senate Bill 1, state law required work be "a substantial factor in causing the injury."

Scope and Methodology

To determine the impact of the 2005 legislation and to discuss the current workers' compensation system, we interviewed officials at the Department of Labor and Industrial Relations (DOLIR), the Division of Workers' Compensation (division), the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department of Insurance), and the Attorney General's Office. We also conducted interviews with 10 ALJs, Missouri Employer's Mutual⁸ officials, representatives of the Missouri Bar Association, the Missouri Association of Trial Attorneys, the American Federation of Labor and Congress of Industrial Organizations, Associated Industries of Missouri, the National Federation of Independent Businesses, as well as representatives from the Workers' Compensation Research Institute (WCRI),⁹ and other workers' compensation authorities. We also requested various data reports from the division's workers' compensation data system and the Fraud and Noncompliance Unit.

To review the adequacy of the medical rating process, we performed a review of 75 workers' compensation cases and related documentation. We limited our review to cases involving only one body part, the knee, to identify how consistent the system treats injuries of a similar nature. Of the 75 total cases reviewed, 50 were randomly selected from a list of 180 knee injuries compensated at a 20 percent level with injury dates during 2005 and 2006. In order to ensure a diverse sample, we stratified the population into cases with and without attorney involvement and sorted by medical costs. We selected 25 cases with attorney involvement and 25 cases without attorney involvement. We selected 3 other cases for review from the 20 percent population which contained significant medical costs.

In addition, we randomly selected 22 cases from a list of 299 knee injuries compensated at the 10 percent level with injury dates during 2005 and 2006. We selected 11 with attorney involvement and 11 without. Due to the limited scope of the items tested, the results of our test cannot be projected to the entire workers' compensation population. However, we believe the sample is representative of the universe of PPD cases. We did not perform test work on PTD cases. Workers' compensation insurance carriers and third party administrators determine if cases are compensable based on an investigation of the injury. We did not have access to insurance company investigation documentation, and therefore, could not review the validity of the claims involved.

⁸ Missouri Employer's Mutual is an insurance company that specializes in workers' compensation insurance and is the market leader in the state.

⁹ The WCRI is a not-for-profit research organization which provides information about public policy issues involving workers' compensation systems.

To test the validity of the data system, we compared information in the data system to information observed in the hardcopy image system for each case test item. We found errors in 7 of 75 items reviewed. Six of the errors did not materially affect the reliability of results of our audit work. We found one data input error which caused a significant overstatement of medical costs. See page 25 for a discussion of this issue.

We requested comments on a draft of our report from the Director of the Department of Labor and Industrial Relations.

Full Impact of 2005 Legislation Not Yet Known

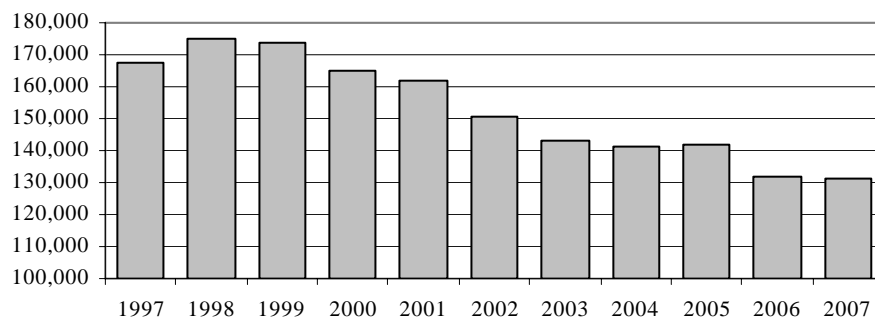
Legislative changes enacted in 2005 have impacted Missouri's workers' compensation system, however, the full impact of the 2005 legislative changes is not yet known. The number of workers' compensation cases filed by injured workers, losses paid by insurance companies, and premiums paid by employers have decreased. In addition, DOLIR no longer provides guidance to claimants. As a result, claimants without attorney representation have been placed at a significant disadvantage over those with representation which is expected to result in increased attorney involvement in the future. Attorney involvement has been shown to increase the duration of cases as well as increase litigation costs to both the injured worker and the employer/insurer.

Number of Cases, Benefit Costs, and Premiums Reduced

The number of cases and premiums charged to employers, decreased in both 2006 and 2007. The number of cases completed declined 4.8 percent from 2005 to 2006, and declined an additional 1.6 percent from 2006 to 2007, according to division data. The number of injuries reported decreased by 7.2 percent from 2005 to 2006, but declined by less than a percent from 2006 to 2007. Benefit costs per covered employee declined by 3.8 percent in 2006, the first decline since 1999, and increased by .10 percent in 2007.

The extent to which the change in injury activity is attributable to Senate Bill 1 is not readily apparent because historical information shows the number of injuries reported has declined 8 of the last 9 years, decreasing an average of 3 percent per year.

Figure 2.1: Reported Injuries – 1997 through 2007



Source: Division of Workers' Compensation data.

In addition, the National Council and Missouri Employer's Mutual data disclosed the frequency¹⁰ of claims has been declining in Missouri, and nationally, for approximately 10 years. According to the National Council, the following factors have impacted the decline:

¹⁰ Frequency is defined as the number of injuries reported per covered worker.

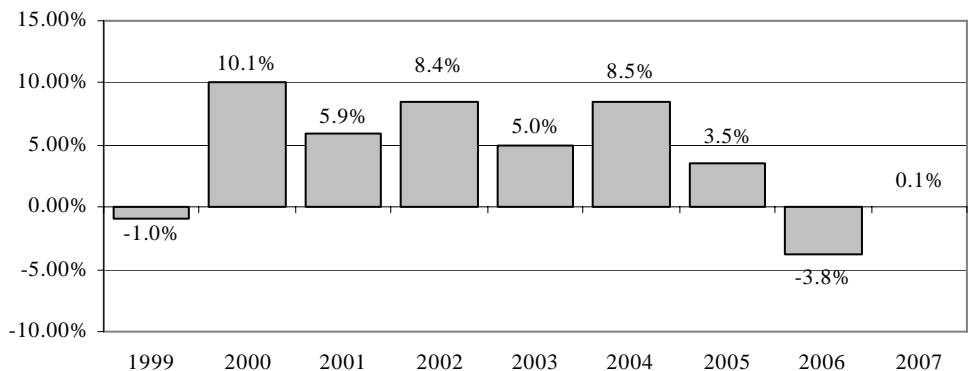
- Continued emphasis on workplace safety in all employment classes.
- Increased use of robotics.
- Increased use of modular design and construction techniques.
- Increased use of power-assisted processes.
- Advances in ergonomic design.

ALJs, attorneys, and insurance company representatives contacted believe the change in the law that requires work be "the prevailing factor" for the injury to be considered compensable, will decrease the number of injuries considered compensable in the future. The extent of the decrease may depend on how the ALJs, DOLIR's Labor and Industrial Relations Commission,¹¹ and appellate courts rule on cases involving the new law, according to ALJs contacted.

Benefit costs and premiums reduced

Based on division data, benefits paid per covered employee decreased by 3.8 percent from 2005 to 2006, the first decrease since 1999, and then increased slightly in 2007. Total benefits decreased by \$23.6 million from 2005 to 2006, but increased by \$9 million from 2006 to 2007. How much of the net decrease is attributable to the 2005 legislative changes is unclear because many of the injuries reported involving permanent disability benefits since the new law went into effect have yet to be finalized, according to division personnel.

Figure 2.2: Percent Change in Benefits Paid Per Covered Employee – 1999 through 2007



Source: Division of Workers' Compensation data and DOLIR covered employee data.

According to representatives of the Missouri Association of Trial Attorneys and an organized labor representative, it is unlikely benefit costs saved in 2006 were eliminated completely. For example, it is more likely private medical insurance or Medicaid absorbed a portion of the medical costs,

¹¹ The Labor and Industrial Relations Commission hears any appeals of workers' compensation cases which have been decided on by the division's ALJs.

Effect on future employer
insurance rates not
certain

according to the representatives. In addition, an increased number of medical-only claims are being paid directly by the employer, as opposed to being paid by the employer's insurance company, according to data provided by Missouri Employers Mutual. State law allows employers to pay up to \$1,000 of medical costs directly, without affecting the employers' insurance rate. While the injury is reported to the division in these situations, the costs associated with the claim are not.

Most employers experienced
decreased premium costs

In August 2007, the National Council issued a report estimating a 10.1 percent loss cost reduction for 2008. This estimate represents the first significant decline in anticipated costs since Senate Bill 1 was implemented. According to Department of Insurance personnel, the National Council cost estimates are advisory in nature and are not a guarantee that workers' compensation rates will decline. Based on discussions with the Department of Insurance and Missouri Employers' Mutual representatives, workers' compensation insurance rates are not directly driven by loss costs or cost estimates, but are more effected by overall market conditions, such as competition in the market place. In addition, according to the Department of Insurance and employer group representatives, uncertainty in the workers' compensation market regarding several lawsuits has possibly kept insurance rates from dropping more significantly.

The majority of Missouri employers have experienced reduced insurance premiums since the 2005 legislative changes. According to DIFP data, workers compensation insurance rates declined by 2.2 percent and 3.6 percent in 2006 and 2007, respectively. Based on premium rate filings with the Department of Insurance, 74 percent of Missouri employers experienced a reduction in premium costs on policies written in 2007, while 8 percent experienced increases. The remaining 18 percent experienced no change. In total, Missouri employers paid approximately \$980 million in workers' compensation premiums in 2007, a 1.3 percent reduction from 2006 levels, according to Department of Insurance estimates.

Guidance to Injured Workers Eliminated

Injured workers are no longer provided guidance by ALJs or division staff to help ensure they obtain fair settlements. ALJs and division staff are only allowed to notify claimants of the types of benefits available, the right to an attorney, and ensure the settlement is voluntary and not unduly influenced, according to ALJs contacted. Prior to Senate Bill 1, state law allowed the department's Legal Advisors¹² and ALJs to provide limited guidance to injured workers to help ensure unrepresented claimants received a fair settlement. A 2003 WCRI report on Missouri's workers' compensation

¹² The Legal Advisor position was eliminated as part of Senate Bill 1.

system¹³ cited the division's practice of providing this guidance as a safeguard for workers, particularly in a system, such as Missouri's, which allows the employer/insurer to select the treating physician.

ALJs no longer provide such guidance because of the Missouri Supreme Court Legal Ethics Counsel's interpretation of the 2005 legislation. The Legal Ethics Counsel concluded it was unethical for ALJs to provide any legal advice to claimants, and violation of such policy would impact the ALJs' law license. If state law gave ALJs authority to provide limited legal advice, or if someone other than the ALJ provided the guidance, no ethical concerns would exist, according to the Legal Ethics Counsel.

Unrepresented injured workers placed at disadvantage

Without the division providing a minimal level of guidance to ensure fair settlements, the Missouri Association of Trial Attorneys and labor representatives contacted believe claimants have been placed at a disadvantage. Discussions with ALJs disclosed injured workers without ALJ advice and/or legal representation have been offered lower settlements as a result of the law change. This is consistent with division data that shows the average PPD settlement paid to unrepresented claimants decreased an average of 14.3 percent since the new law's effective date in August 2005.¹⁴ The same data shows settlements for represented claimants have increased by an average of 9.6 percent since the effective date of the new law.

As discussed above, division personnel have been limited in the help they can give to injured workers. However, state regulations¹⁵ state the purpose of the division is to insure timely and adequate benefits, and to provide assistance to injured workers.

2005 changes expected to increase attorney involvement, case costs, and duration

Historically, Missouri has been a high attorney involvement state, according to a WCRI report issued in 2003, because Missouri's system has created a situation where an attorney can provide significant value, according to a WCRI representative. According to ALJs and attorney groups contacted, the elimination of guidance to claimants has increased attorney involvement, or will create additional attorney involvement in the future. However, division data is inconclusive regarding the increase in attorney involvement as a result of the 2005 legislative changes.

¹³ "Revisiting Workers' Compensation in Missouri: Administrative Inventory", WCRI, December 2003.

¹⁴ Based on data through June 12, 2008.

¹⁵ 8 CSR 50-1.010.

A high level of attorney involvement results in increased litigation costs for both the employer as well as the injured worker, according to a WCRI representative. Litigation costs include attorney fees and costs for additional doctor ratings. Based on our case review, attorney involvement also lengthens the duration of the claim. Our test case results disclosed cases with attorney involvement took an average of 13 percent longer from injury date to resolution. For example, claimant cases without legal representation took an average of 358 days from injury to resolution, while claimant cases with legal representation took an average of 405 days. As described on page 9, our case review focused on injuries to the same body part and injuries rated at the same severity.

Conclusions

Legislative changes in 2005 have been a factor in the reduction of compensation cases in 2006 and 2007. However, the full impact of the legislation is not yet known. The change in the law requiring work to be "the prevailing factor" before an injury is considered compensable is expected to decrease the number of compensable injuries in the future. With decreasing claims, workers' compensation losses to employers and/or insurers will likely continue to decrease. Employer insurance rates have declined since the implementation of the 2005 legislation. Future decreases in the premiums charged may not be determined solely by loss cost reductions, but may depend on competitive market conditions.

The 2005 changes to the law eliminated the Legal Advisor positions, which eliminated a claimant's ability to obtain guidance from DOLIR. In addition, the Legal Ethics Counsel's interpretation of the 2005 law deemed it unethical for ALJs to provide limited legal guidance to claimants. As a result, unrepresented injured workers have been placed at a disadvantage, and have experienced a significant decline in the average PPD settlement awarded. By creating a situation where an attorney significantly increases benefit payments, attorney involvement is expected to increase, resulting in slower resolution of cases, and increased system costs for both the employer and employee. By providing limited legal guidance to injured workers, the department can help ensure timely and equitable settlements are attainable without claimants hiring legal representation.

Recommendation

We recommend the Director of the Department of Labor and Industrial Relations:

- 2.1 Expand the role of attorneys within the division, other than the ALJs, to provide limited legal guidance to help ensure timely and fair settlements to injured workers.

Agency Comments

See Appendix III for agency responses to the recommendations and SAO comments.

Opportunities Exist To Improve Missouri's Workers' Compensation System

Missouri's medical rating process has not provided consistent and predictable results for injured workers. This situation has occurred because Missouri, unlike most states, uses an unstructured approach to the medical rating process. In addition, benefits have not been provided to injured workers in a timely fashion because state law has not (1) contained clear language as to when the first TTD payment is to be made, (2) required PPD benefits to be paid in a timely manner once a final rating has been issued, and (3) required timely medical treatment be provided. As a result, injured workers incur delays in getting benefits and may have to increase reliance on attorneys to resolve claims.

Medical Rating Process Not Providing Consistent and Predictable Results

Missouri has a medical rating process that is unstructured and has not provided consistent and predictable results for injured workers. This situation has occurred because Missouri law does not contain specific information regarding how injured workers' disabilities are to be rated. Missouri is one of seven states that has not instituted some form of structured impairment or disability rating guidelines.

Consistency and predictability are important to create an efficient workers' compensation system because not having those attributes leads to increased attorney involvement, cost, and inefficiency, according to WCRI officials.

Medical rating process causes inconsistent ratings

Our review of 75 permanent partial knee injury cases disclosed a medical rating process which produced a mixture of disability and impairment ratings as much as a 30 percent difference in doctor ratings, and cases where no medical rating had been performed. In addition, conflicts of interest exist for medical doctors used by employers and medical doctors hired by attorneys representing claimants.

Ratings vary between employer and employee physicians

The treating physician, and in some cases another physician paid by the employer and/or insurer, typically provided a final disability rating for the injured worker. However, many claimants paid to have separate medical examinations and ratings performed. Our review of test cases disclosed the difference between the employer or insurer physician rating, and employee physician ratings varied significantly. For example, for the cases reviewed with attorney representation, in which employer and employee ratings were known, the variance between the 2 ratings averaged 20 percent. The following two injuries illustrate the inconsistent ratings observed during our case review:

- In one case, the claimant sustained a torn anterior cruciate ligament, a significant knee injury, which required reconstructive knee surgery, and required the claimant to miss over a month of work. Upon achieving maximum medical improvement, this claimant

received a permanent disability rating of 5 percent from the physician hired by the employer.

- In a separate case, a claimant sustained a minor injury to the patellar tendon, which required no surgery, and required no time off work. This claimant received a permanent disability rating of 25 percent from a physician hired by the claimant's attorney.

Conflicts of interest possible for rating physicians

In some cases, physicians are paid by either employers or insurers, or by the employee to provide the disability rating on an injured worker. Many physicians specialize in providing ratings to either employers or insurers, or employees, and receive future referrals based on the ratings they give, according to attorney groups contacted. Therefore, rating physicians, particularly those paid specifically for ratings, have a conflict of interest when providing ratings which favor parties that hired them, according to these groups.

Injuries of similar severity receive different final ratings

Our case reviews also disclosed instances in which claimants with similar injuries had been compensated at significantly different permanent disability ratings. For example, of the 22 cases reviewed and compensated at the 10 percent disability level, 5 involved claimants with a confirmed medial meniscus tear. However, we observed the same injury compensated at the 20 percent disability level in 11 of the 50 cases reviewed. Based on the information available, all 16 required surgery.

State law does not specifically require ratings to be in terms of impairment or disability

During our review of test cases, we also observed instances in which the ratings provided by physicians represented impairment ratings. State law does not specifically state the rating is to be a disability rating. However, the law does mention such factors as the individual's loss of earning power, which implies disability. An impairment rating considers only the individual's physical limitations associated with the injury, such as loss of range of motion or strength.

Guidelines are a possible solution

According to data from an impairment rating consultant,¹⁶ Missouri is one of seven states which does not use the American Medical Association impairment guidelines, state created guidelines, or some combination thereof. The purpose of a structured rating system is to provide medical information in a structured manner in order to assign benefits with minimal

¹⁶ Brigham & Associates, Inc.

dispute, according to a 2003 RAND Inc. study¹⁷ of California's permanent disability rating schedule. A structured rating process would require all physicians use the same methodology to determine disability levels, leading to consistency and predictability in the rating process, according to a WCRI representative. The structured rating process also allows physicians to compare notes in the event of significant dispute.

According to WCRI representatives, a possible solution would be using American Medical Association guides as a baseline when calculating disability. The guides would at least allow workers to receive a more consistent base of compensation and could result in fewer disputed claims. However, the strict use of American Medical Association guidelines would significantly reduce the amount of benefits paid to injured workers, according to the WCRI representative and attorney groups contacted. Reductions in benefits would occur because American Medical Association ratings only deal with the physical impairment of the injured worker and do not consider the impact on the individual's ability to perform a job. Some states require the American Medical Association rating to be adjusted upward to account for non-impairment related factors.

WCRI representatives also stated that another possible solution would be the establishment of a schedule of disability for common injuries. According to the representatives, such an approach might actually be preferable because it adds a level of predictability without adding costs by requiring mandatory ratings.

Attorney involvement resulted in higher final ratings

Our review of 50 cases that had final ratings at the 20 percent disability level disclosed the 25 claimants without legal representation initially obtained an average disability rating of 14.5 percent from employer doctors, while the 25 claimants that obtained legal representation averaged initial disability ratings of 7.5 percent from employer doctors. Therefore, claimants with legal representation negotiated greater increases from the initial rating.¹⁸ Based on these figures, claimants with legal representation received settlements totaling \$3,163¹⁹ more than they otherwise would have, after

¹⁷ "Evaluation of California's Permanent Disability Rating Schedule, Interim Report," RAND Institute of Civil Justice, December 2003. The RAND Institute is a non-profit research organization.

¹⁸ Represented claimants achieved a rating increase of 12.5 percent (20%-7.5%) compared to a rating increase of 5.5 percent (20%-14.5%) for unrepresented claimants.

¹⁹ $(14.5\% - 7.5\%) \times 160 \text{ weeks} = 11.2 \text{ weeks}$. $\$376.55 \times 11.2 \text{ weeks} = \$4,217$. $\$4,217$ minus 25% attorney fee = \$3,163. 100% of the knee is statutorily valued at 160 weeks, and the maximum permanent partial compensation rate for fiscal year 2007 is \$376.55. This figure is based on a small sample size and cannot be projected to the workers' compensation system as a whole.

attorney fees, than unrepresented claimants. Overall, PPD benefits awarded to the 50 knee injuries averaged \$11,904 per case.

Our review of 50 knee injuries, compensated at the 20 percent permanent disability level, also disclosed claimants represented by attorneys had less severe injuries than individuals that did not have representation. For example, of the 25 unrepresented cases compensated at the 20 percent level, 8 involved anterior cruciate ligament tears, while the same injury occurred in 2 of the 25 cases with legal representation. An anterior cruciate ligament tear is considered a significant knee injury by medical sources reviewed.

According to a WCRI representative, Missouri's unstructured rating process allows attorneys to add value to a claim. The representative also reiterated WCRI's 2003 assessment of Missouri's system that stated the unstructured medical rating process is one of the significant factors leading to the high level of attorney involvement and a significant driver of costs in the system.

Benefits Not Always Provided Timely

The workers' compensation system has not ensured TTD, PPD, and medical benefits have been provided in a timely manner. State law²⁰ requires TTD benefits be made at least every two weeks. However, according to division personnel familiar with the process, the statute does not contain clear language as to when the first TTD payment is to be made and does not require the employer or insurance carrier to make the first payment in a timely fashion. We identified 12 of 42 TTD cases (29 percent) in our test population where the first TTD payment occurred more than 2 weeks after payment was first due. For these 12 cases, the first TTD payment was made an average of 52 days after the payment was due. According to division personnel, insurance companies will typically wait until investigations are complete before initiating benefit payments.

State law has not required PPD benefits be paid in a timely manner once a physician's final rating has been issued, and contains no penalties for slow payment. Our case review disclosed the average interval from final doctor's rating to case resolution averaged 154 days. The interval averaged 185 days for cases involving an attorney, compared to 137 days for cases with no attorney involvement. Based on our case review, the longer interval for cases involving attorneys occurred because of additional ratings and negotiations that occurred once employers' doctors have issued ratings.

Although no data was available for analysis, a WCRI representative believes the interval between the final doctor's rating and case resolution in Missouri

²⁰ Section 287.160, RSMo.

is longer than other state systems. The WCRI representative, as well as attorney groups contacted, told us requiring injured workers to wait long periods for final permanent benefit checks provides employers/insurers significant leverage to negotiate smaller settlements. ALJs are unable to ensure a timely payment because state law contains no timeliness requirement for permanent benefit payouts, according to division personnel.

State law does not require timely medical treatment be provided and, therefore, no information is tracked by the division to monitor the timeliness of medical treatment. Based on information provided by claimants and attorney groups contacted, medical treatment can be withheld while the employer/insurer obtains different opinions for treatment, causing delay in treatment. For example, one injured worker contacted stated the insurer sent him to three doctors and waited almost 6 months before his employer's insurance paid for required surgery. The delays occurred even though the employer's initial doctor recommended surgery immediately. In this case, the compensability of the work injury had not been questioned.

Conclusions

Missouri's medical disability rating process has not ensured predictable and consistent results for injured workers and creates a system in which an attorney is considered necessary to obtain a fair settlement. As a result, Missouri has become a high attorney involvement state compared to other states. Attorney involvement has proven to increase case duration and increase case costs to both employers and employees.

Following the lead of other states and instituting a structured approach to the medical rating system would add predictability and consistency to the medical rating process. Once instituted, it could lead to increased efficiency in the system, more timely resolution of cases, increase worker confidence in the system and possibly reduce the need for attorney involvement. However, simply requiring the use of American Medical Association impairment guidelines, as many states have done, would significantly reduce the benefits currently being provided to injured workers. The General Assembly should consider options to add structure to the medical rating system without reducing the benefit level being provided.

State law does not adequately ensure benefits are provided in a timely manner. When medical treatments and benefit payments are not provided in a timely manner, injured workers cannot get the treatment and compensation they are entitled to in a timely fashion. Untimely benefits can create a significant hardship on workers who are unable to work as a result of a work-related injury. As a result, injured workers may retain attorneys to help obtain workers' compensation benefits they are seeking. Again, attorney involvement has proven to increase case duration and increase case

costs to both employers and employees. Improving the timeliness of benefits would help reduce the potential for unnecessary legal representation. In addition, state law has not been clear on how quickly benefit payments should begin and has not provided incentives for employers to make timely first payments and/or provide timely medical treatment. Therefore, the division should work with the General Assembly to clarify state law.

State law does not contain any penalties to encourage timely payment of PPD benefits. By allowing employers and insurers to delay payment of permanent partial benefits once maximum medical improvement has been achieved may provide employers/insurers unfair leverage to negotiate a lower settlement than the injured worker might otherwise have accepted. Improvements to the medical rating structure may reduce this leverage and help ensure permanent partial benefits are paid in a timely and fair manner.

Recommendations

We recommend the Director of the Department of Labor and Industrial Relations:

- 3.1 Work with the General Assembly to help develop a more structured disability rating process.
- 3.2 Work with the General Assembly to clarify state law on how quickly TTD benefit payments should begin and what requirements are necessary to ensure timely payments and/or medical treatments are provided.
- 3.3 Work with the General Assembly to change state law to ensure timely payment of PPD benefits once the claimant has reached maximum medical improvement.

We recommend the General Assembly:

- 3.4 Change state law to implement a more structured disability rating process.
- 3.5 Clarify state law on how quickly TTD benefit payments should begin and what requirements are necessary to ensure timely payments and/or medical treatments are provided.
- 3.6 Change state law to ensure timely payment of PPD benefits once the claimant has reached maximum medical improvement.

Agency Comments

See Appendix III for agency responses to the recommendations and SAO comments.

Administration of the Workers' Compensation System Could Be Improved

Improvements are needed in the administration of the workers' compensation system. Improvements are needed because the number of noncompliance investigations and referrals to the Attorney General have decreased, as well as fines collected. This situation has occurred because of inadequate staffing. Also, injury reporting violations have not been monitored or referred for prosecution. In addition, changes are needed in state law to allow the division to base administrative fund tax and surcharge rates on future costs. Without a change to state law, the division cannot adequately plan for future expenditures. The division has also not ensured data tracked on each case is complete and accurate, and has not used data to adequately track system performance.

Noncompliance Investigations and Referrals Decreased

The division's Fraud and Noncompliance Unit (unit) is responsible for investigating all allegations of fraud and noncompliance involving workers' compensation committed in the state. However, the number of noncompliance cases investigated by the unit dropped from 1,231 to 676 (45 percent) from 2005 to 2006, and dropped to 598 (an additional 11.5 percent) in 2007. Noncompliance investigations primarily involve employers that have not obtained workers' compensation coverage, or have inadequate coverage, according to a unit representative. In addition, the unit has not adequately monitored the timeliness of injury reports, which represents another type of noncompliance.

Staff reduction causes drop in activity

The number of investigations dropped primarily because of a reduction in staffing levels, according to a unit representative. While no positions were eliminated, DOLIR notified the division in 2006 that open investigator positions would not be filled because of budgetary considerations, according to the representative. In the fall of 2007 the unit had 9 investigators, but had as many as 13 during 2005. According to a unit representative, the shortage of staff did not allow the division to utilize a program which compares DOLIR employment data to National Council data to identify potential uninsured employers. The division had the program in place during 2005, and resulted in a significant increase in noncompliance investigations. However, division did not have the system in use during 2006 or 2007. As a result, the number of noncompliance referrals to the Attorney General and local prosecutors dropped approximately 76 percent, from 508 in 2005 to 122 in 2006, according to Attorney General's office data. The Attorney General's office also reports that 2007 referrals increased by 24 percent, to 151 referrals, but fell well below 2005 levels.

Fines and penalties generated from referrals to the Attorney General declined by over 50 percent from 2005 through 2007, going from \$919,213 in 2005 to \$454,171 in 2007,²¹ according to Attorney General's office data.

In early 2008 the division increased the number of investigator positions authorized to 12 and restored the use of the cross-match system in place during 2005. As a result, the number of noncompliance cases referred to the unit from January through May 2008 is more than double the number of cases referred over the same timeframe during 2007, according to data provided by the unit.

**Injury reporting violations
not monitored or
referred for prosecution**

State law²² requires the employer to notify an insurer, or administrator, of each injury reported within 5 days of being made aware of the injury. However, our review of 75 cases showed an average interval from injury report date to administrator of 9.6 days. The sample included 15 cases which had been reported more than 10 days late, with 4 of those cases exceeding 50 days. Timely reporting is necessary to ensure a timely determination of compensability, as well as helping ensure timely medical treatment is arranged, according to Missouri Employer's Mutual personnel. Timely payment of TTD benefits and timely medical services also result in reduced attorney involvement, according to Missouri Employer's Mutual representatives as well as attorney group representatives.

State law²³ contains penalties for noncompliance with reporting requirements. However, a unit representative stated the division has not actively monitored compliance with the 5-day reporting requirement because the department has not had the authority to administratively impose fines. The representative also expressed concern that local prosecutors and/or the Attorney General's office may not have time to prosecute minor offenses such as compliance with the 5-day reporting requirement. However, a representative of the Attorney General's office stated adequate staffing is in place to prosecute any instances of noncompliance referred to them. The Attorney General's office receives funding from the workers' compensation administrative fund to provide these services.

²¹ Penalties went from \$919,213 in 2005 to \$652,265 in 2006, and to \$454,171 in 2007.

²² Section 287.380, RSMo.

²³ Section 287.380.4, RSMo.

Administrative Fund Rate Formula Not Ensuring Adequate Future Funding

The statutory formula for determining the administrative fund tax and surcharge rate has not allowed the division to ensure adequate funding will be available for future expenditures. State law requires the division to project the year end fund balance by October 31 of each year, and compare it to 110 percent of fund expenditures from the prior full year to determine whether an administrative tax and surcharge will be imposed on employers for the coming year. For example, at October 31, 2006, the division projected the December 31, 2006, fund balance to be \$10.2 million, and compared it to 110 percent of actual administrative expenditures from 2005, which came to \$18.2 million. Since the balance was below the threshold, the division then did another calculation to determine what rate to charge.

The division's plan to upgrade its data system illustrates the inadequacy of the current formula. The division's plan requires spending a significant amount of administrative funding over the next several years. However, these future year expenditures cannot be taken into account when deciding whether an administrative tax/surcharge rate can be charged in those periods. Instead, the division must look at the previous year expenditure level.

DOLIR officials stated that basing the administrative tax/surcharge on projected expenditures, similar to what is done in the Second Injury Fund surcharge rate calculation, would help them ensure adequate funds would be available for future periods. Administrative fund expenditure projections are much more predictable than those of the Second Injury Fund because expenditures are more fixed in nature, such as salaries and benefits, and under DOLIR's control.

Timing issues with administrative tax have been addressed

In prior periods, the administrative fund experienced timing issues as a result of state law, which required the prior year tax rate be charged in the current period. The law also resulted in June adjustments which made it difficult for DOLIR to project revenue amounts and ensure cash flow, according to department personnel. As a result, the administrative fund became insolvent during fiscal year 2003, and required a loan from the Tort Victims' Compensation Fund. According to DOLIR personnel, the old law also is responsible for the large fund balances that accumulated in fiscal years 2000 and 2005. Legislative changes in 2005 corrected these problems, allowing the current year tax rate to be charged immediately, creating a more logical cash flow of administrative tax/surcharge funds and reducing the amount of mid-year adjustment that will be required, according to DOLIR personnel.

Division Not Ensuring Data Accuracy and Completeness

Our review of cases disclosed the division's data system has not always contained complete information on each case. For example, of the 72 cases reviewed with completed doctor ratings, ratings for 60 cases (83 percent) had not been included in the division's data system. In addition, 22 (37 percent) of 60 cases reviewed, in which TTD payments had been made, did not have information on the timing of the first TTD payment. The division's injury processing manual states follow-up letters are to be sent to insurers in the event data reported to the division is inaccurate or incomplete. However, division personnel could not explain why data was incomplete.

We also found several significant data errors. For example, we identified one case where the data system showed medical expenses of \$157 million. Investigation by division personnel showed the actual medical costs of the case totaled \$15,000. We also identified a similar error involving a case with over \$25 million in medical costs. In another case, medical costs of \$6 million had been included in the data system and had been supported by a hardcopy document. However, review of the case documents showed the injury to be minor. Subsequent follow-up with the insurer determined the actual medical costs for the case were \$260. Division personnel corrected these three errors after our inquiries about the cases. Division personnel have procedures in place to randomly check the accuracy of input personnel at the division level. However, they have not instituted procedures to detect errors such as the large medical cost errors discussed above.

Data system not used to adequately track system performance

The division has not utilized information in its database to monitor system performance.²⁴ Specifically, the division has not tracked the timeliness of TTD benefit payments or injury reports. Tracking benefits by insurer/employer and reporting the information back to insurers has proven to be an effective method of improving system performance by the state of Wisconsin, according to a WCRI representative interviewed.

Conclusions

To better ensure compliance with workers' compensation laws, the unit must thoroughly investigate all potential instances of employer noncompliance. Since the department has adequate funds, officials should restore unit staffing to prior levels. Doing so should result in additional investigations and referrals to the Attorney General's Office, and in fines and penalties. In addition, it should result in increased compliance with workers' compensation laws, which benefits the workers of the state and protects the Second Injury Fund from uninsured employer claims. The monitoring and referral of untimely injury report violators would also help ensure medical care and TTD benefits are provided in a timely manner and may help reduce

²⁴ WCRI addressed this issue in its 2003 report.

attorney involvement. With the potential increase in penalties and fines being sufficient to cover any increases in personnel costs, the benefits of increasing staffing should outweigh the costs.

State law has not allowed the division to adequately plan for future administrative costs and ensure adequate revenues will be available for administrative needs. By requiring the current balance be compared to past expenditures, the department cannot adequately plan for future expenditures that may be required. Therefore, the division should work with the General Assembly to revise state law to allow it to base administrative fund tax and surcharge rates on projected future expenditures.

Ensuring the completeness and accuracy of case information put into the system will increase the reliability of information pulled from the system. In addition to being used internally to track the progress of each case, data included in the division's database can be used by management to monitor the overall timeliness of benefits and other system performance and trends, and can be provided to insurers as feedback to improve insurer performance.

Recommendations

We recommend the Director of the Department of Labor and Industrial Relations:

- 4.1 Restore staffing to previous levels to increase the number of fraud and noncompliance investigations and referrals for prosecution.
- 4.2 Work with the General Assembly to revise state statutes to allow the division to consider future administrative expenses when calculating the administrative tax and surcharge rates.
- 4.3 Require the division to develop procedures to ensure the accuracy and completeness of division data.
- 4.4 Require the division to track and monitor the timeliness of reporting injury information, processing claims, and benefit payments using existing database information to improve employers' and/or insurers' performance.

We recommend the General Assembly:

- 4.5 Revise state law to allow the division to consider future administrative expenses when calculating the administrative tax and surcharge rates.

Agency Comments

See Appendix III for agency responses to the recommendations and SAO comments.

Historical Administrative Fund Financial Information and Surcharge Rates

Table I.1 depicts revenue and expenditures by categories, and balances and surcharge rates for fiscal years 2002 through 2008.

Table I.1: Revenue and Expenditure Detail – Fiscal Years 2002 through 2008

	2002	2003 ¹	2004	2005	2006	2007	2008
Beginning Balance	20,643,132	5,946,117	9,585,810	39,635,984	48,125,610	37,437,759	31,220,609
Revenue							
Administrative							
Tax/Surcharge	2,221,514	18,558,537	45,780,130	23,532,434	2,070,359	6,289,512	13,980,076
Interest	618,767	100,581	154,312	940,081	1,650,069	1,571,180	1,549,789
Other	676,252	513,764	704,594	869,841	1,245,882	743,727	562,650
Total Revenue	3,516,533	19,172,882	46,639,036	25,342,356	4,966,310	8,604,419	16,092,515
Expenditures							
Personal Service	11,294,141	10,934,835	11,141,711	11,846,208	10,734,919	10,696,587	11,391,648
Operating Expenses	6,023,053	3,879,432	4,327,036	4,226,817	4,347,510	3,479,065	3,743,687
Tax Refunds	526,203	339,757	668,032	315,348	151,872	78,380	1,271,232
Attorney General							
Salaries	229,150	229,150	268,496	309,261	290,511	349,782	368,296
Attorney General							
Operating	141,001	150,016	183,589	155,095	129,349	217,755	135,512
Total Expenditures	18,213,548	15,533,189	16,588,862	16,852,729	15,654,161	14,821,569	16,910,375
Ending Balance	5,946,117	9,585,810	39,635,984	48,125,610	37,437,759	31,220,609	30,402,749
Administrative							
Tax/Surcharge Rate ²	1.0%	2.0%	1.0%	0.0%	0.0%	1.0%	1.0%

¹ For comparative purposes, we did not include a \$3.6 million loan from the Tort Victims' Compensation Fund and its subsequent repayment in 2003 revenue and expenditure amounts.

² Surcharge rate is charged and collected on a calendar year basis.

Source: Division of Workers' Compensation records.

Historical Injury and Benefit Data

The following tables include data obtained from the division's data system, and includes the number of injuries reported, and the number and cost of cases completed, by year and type.

Table II.1: Injuries Reported – 1998 through 2007

Year	Injuries Reported	Percent Change
1998	174,823	4.29
1999	173,670	-0.66
2000	165,245	-4.85
2001	161,778	-2.10
2002	150,350	-7.06
2003	143,015	-4.88
2004	141,212	-1.26
2005	141,794	0.41
2006	131,649	-7.15
2007	131,542	-0.08
Averages	151,508	-2.33

Source: Division of Workers' Compensation data.

Table II.2: Cases Completed By Year and Benefit Type – 1997 through 2007

Cases							
Year	Completed	TTD	TPD	PPD	PTD	Medical	Total Benefits
1997	96,179	\$95,900,639	233,907	273,913,747	561,173	287,149,420	\$657,758,885
1998	123,856	90,429,408	593,541	263,367,615	1,797,333	289,191,902	645,379,799
1999	125,231	87,264,646	1,254,823	265,922,280	1,893,436	293,529,988	649,865,173
2000	123,824	96,403,210	1,564,307	296,812,523	3,918,470	328,740,500	727,439,010
2001	117,746	102,840,501	1,287,999	322,776,716	2,748,316	348,062,955	777,716,486
2002	113,335	104,994,845	1,572,531	341,923,425	2,415,115	380,927,412	831,833,328
2003	105,918	105,219,415	1,746,983	357,048,830	2,322,303	403,167,436	869,504,967
2004	107,528	109,379,093	1,891,549	378,851,534	5,967,981	453,077,498	949,167,655
2005	102,249	112,701,035	2,135,710	376,268,769	3,452,742	499,959,846	994,518,103
2006	97,300	107,906,955	2,485,220	339,387,980	4,490,542	516,687,678	970,958,374
2007	95,767	108,388,845	2,443,243	335,151,855	4,403,816	529,571,073	979,958,832
Averages	109,903	\$101,948,054	1,564,528	322,856,843	3,088,293	393,642,337	\$823,100,056

Source: Division of Workers' Compensation data.

Agency Responses and SAO Comments

DOLIR management provided the following responses to our recommendations. SAO comments to the division response are included. The recommendations are restated for clarification.

Recommendation 2.1: Expand the role of attorneys within the division, other than the ALJs, to provide limited legal guidance to help ensure timely and fair settlements to injured workers.

The Department believes that publication of additional brochures explaining the rights of the injured employees and employers and providing an explanation of what to expect at the settlement conference would be beneficial to all stakeholders. The publication of brochures would accomplish the recommendation made by the State Auditor which is to ultimately ensure that an injured employee receives a settlement in accordance with the law.

The concept of the Department's attorneys providing some sort of "limited legal guidance" is novel and presents some difficulty in adoption for the reasons set forth below.

First, the General Assembly abolished the practice of Department staff providing legal advice to claimants and employers to eliminate any hint of bias toward either group. The concept of guidance is synonymous with advice. Unlike criminal defendants, neither claimants nor employers in workers' compensation proceedings have a right to court or state appointed counsel. At their heart, workers' compensation claims are civil actions. The fact that a venue other than circuit court has been chosen to resolve these disputes does not change their underlying nature. The Department needs to comply with the will of the General Assembly and not reinstitute the practice of providing limited legal advice.

Second, state statute requires the settlement agreement to be "valid and enforceable as long as the settlement is not the result of undue influence or fraud, the employee fully understands his or her rights and benefits, and voluntarily agrees to accept the terms of the agreement." An Administrative Law Judge (ALJ) has to approve the settlements and has every right to ask the parties questions before granting such approval. Further, statute requires a seven day waiting period between the injury and the offer to settle to allow both parties to assess the circumstances and attempt to avoid abusive settlement practices. Section 287.800.2 RSMo mandates that the ALJs "weigh the evidence impartially without giving the benefit of doubt to any party when weighing evidence and resolving factual conflicts." The Department's legal personnel are governed by the same dictates to remain impartial in responding to inquiries from either the employee or the

employer/insurer. Therefore, it would be difficult and certainly unethical, if not illegal, for the Department's attorneys to exhibit bias toward the unrepresented employee by offering "limited legal guidance" while ignoring the employer/insurer in the process.

Third, an attorney is subject to and governed by the Missouri Supreme Court rules governing the representation of clients. The Department's attorneys represent DOLIR and offer legal advice to the Director, Deputy Director and other Department units and personnel. The Department interprets the State Auditor's recommendation as an invitation to engage in activities that the legislature has squarely placed within the province of the ALJs as set forth in §287.390 RSMo.

The Department's attorneys routinely respond to questions from the ALJs on specific cases. Consequently, the attorneys would be precluded from fulfilling their role as counsel to the Department as they would be rendering "limited legal guidance" to unrepresented claimants while simultaneously rendering advice to Department personnel on many of the same matters. As such, implementation of the State Auditor's recommendation would create an untenable situation for Department attorneys.

Fourth, the General Assembly specifically repealed major portion of §287 RSMo (notably §§287.616 and 287.642) which authorized the Legal Advisors to act as ALJ's and public information personnel. In certain instances Legal Advisors could approve settlements authorized by §287.390 RSMo, preside over docket settings and make final determinations, as well as advise parties on the law and the merit of any settlement offers. The General Assembly made a well reasoned policy determination that legal advisors serving as judge, jury, and advocate was rife with conflicts. Further, there was substantial outcry from employers who complained that they were not only paying for the fund, but also paying for legal advisors to advise claimants on how to get more out of the fund.

Upon elimination of the Legal Advisors, the General Assembly more than doubled the number of ALJ's available to adjudicate worker's compensation claims and vested them with authority to approve settlements. The State Auditor's recommendation that the Department's attorneys offer "limited legal guidance" would invade the province of the ALJs, and reinstitute a practice that was abolished by the General Assembly because of its obvious conflicts.

Fifth, several factors are involved with respect to the timeliness of the settlements, most noteworthy being the nature and severity of the injury. The nature and severity of the injuries influences the ability to quickly receive a

disability rating. Further, the parties often effect when a final determination is reached due to the progress of settlement negotiations and their own availability. The ALJ's try to accommodate these various factors by changing docket schedules to best serve all interested parties. However, to avoid unreasonable delay, the Department has implemented automatic docketing procedures to move cases along and the ALJ's have been advised to adhere as close to these schedules as possible. As indicated above, the approval of a settlement is an adjudicative function solely within the province of the ALJ's. No one has encouraged the ALJ's to approve settlements solely for the sake of expediency, so some delays can be anticipated. While, timeliness is a goal to which the Department attaches significant importance, a fair, reasoned, and thorough decision making process should not be sacrificed to achieve better timeliness measures.

Sixth, claimants are not wholly without resources to allow them to gain a greater understanding of workers' compensation law. In an effort to educate stakeholders on the changes made to the workers' compensation law effective August 28, 2005, the Department: developed PowerPoint presentations; published a brochure called "How the changes in the workers' compensation law affect you"; and participated in numerous presentations throughout the state; and the Department's website has extensive information on Workers' Compensation.

It is important to note that the General Assembly retained the introductory language in §287.642 RSMo that requires the Department to "create in all area offices a public information program to assist all parties involved with an injury or claim under this chapter." As a consequence, the Department maintains dedicated employee and employer toll free number as a service to all stakeholders. Information Specialists respond to questions presented by the stakeholders and the Department's attorneys assist in explaining or clarifying the statutory provisions so that accurate information is disseminated. The Department also provides training to the Information Specialists and other Department personnel. In addition, the Department has a Dispute Management Unit tasked with providing assistance with issues such as basic compensability, temporary total disability benefits and payment of medical bill.

8 CSR 50-1.010 provides in pertinent part that the Division administers the workers' compensation law "to insure injured employees receive prompt and adequate medical treatment, payment of benefits of wage loss, compensation for permanent disability and physical rehabilitation for the severely injured by providing assistance to injured workers, to include filing of claims and conducting hearings to resolve disputes between employers and employees relating to Workers' Compensation benefits." A reading of

this regulation does not support the concept of Department attorneys' providing limited legal guidance. As indicated above, the Division has published brochures and provides assistance to stakeholders who contact the Division.

SAO Comments:

The audit report presents evidence which suggests injured workers have been placed at a disadvantage as a result of the changes to the law to eliminate the legal advisor positions. Prior to the law change, legal advisors were allowed to advise parties of the law and discuss the merits of any settlement offers. While we would agree that allowing legal advisors to approve settlements in addition to providing guidance to claimants created conflicts, the ability of the advisor to notify a claimant of an unfair offer was necessary to ensure unrepresented claimants were not taken advantage of.

Our recommendation is not to allow ALJs to provide legal advice, or for the division to reinstate the Legal Advisor position as it existed previously. However, we believe it would be beneficial to unrepresented injured workers and for the workers' compensation system as a whole for someone with legal experience within the department, who is independent of the case, to advise an unrepresented claimant if the settlement offer they have received is not reasonable. State law does not specifically state the division cannot designate staff for this purpose.

Recommendation 3.1: Work with the General Assembly to help develop a more structured disability rating process.

This recommendation requires legislative action. The Department is an administrative agency charged with applying legislation, not enacting legislation. The Department, in its effort to effectively apply statute, will focus its response on the limited operational recommendations contained in the report and as such will be unable to adequately reply to any recommendations requiring legislative action. Should the General Assembly choose to address recommendations contained in this report, the Department will readily supply information as needed. The Department interprets this recommendation as an acknowledgment by the State Auditor that this matter is currently beyond the control of the Department. The Department would welcome any operational recommendations the State Auditor should have on this issue.

Recommendation 3.2: Work with the General Assembly to clarify state law on how quickly TTD benefit payments should begin and what

requirements are necessary to ensure timely payments and/or medical treatments are provided.

This recommendation requires legislative action. The Department is an administrative agency charged with applying legislation, not enacting legislation. The Department, in its effort to effectively apply statute, will focus its response on the limited operational recommendations contained in the report and as such will be unable to adequately reply to any recommendations requiring legislative action. Should the General Assembly choose to address recommendations contained in this report, the Department will readily supply information as needed. The Department interprets this recommendation as an acknowledgment by the State Auditor that this matter is currently beyond the control of the Department. The Department would welcome any operational recommendations the State Auditor should have on this issue.

Recommendation 3.3: Work with the General Assembly to change state law to ensure timely payment of PPD benefits once the claimant has reached maximum medical improvement.

This recommendation requires legislative action. The Department is an administrative agency charged with applying legislation, not enacting legislation. The Department, in its effort to effectively apply statute, will focus its response on the limited operational recommendations contained in the report and as such will be unable to adequately reply to any recommendations requiring legislative action. Should the General Assembly choose to address recommendations contained in this report, the Department will readily supply information as needed. The Department interprets this recommendation as an acknowledgment by the State Auditor that this matter is currently beyond the control of the Department. The Department would welcome any operational recommendations the State Auditor should have on this issue.

Recommendation 4.1: Restore staffing to previous levels to increase the number of fraud and noncompliance investigations and referrals for prosecution.

Staffing levels in the Fraud and Noncompliance Unit were increased from eight investigators to twelve investigators prior to September 1, 2007. Currently, there are thirteen investigators. Factors other than staffing levels significantly impact the number of investigations from year to year. By using 2005 data as a base year for referrals in the audit report, the State Auditor provides an inaccurate benchmark. A five-year average for investigations conducted and cases referred provides a better standard than

a one-year snapshot. Since calendar year 2005 was an anomaly, the best comparison would be to compare 2002 through 2007 and remove 2005 from the equation. Utilizing statistics from those five years would provide a yearly average of 213 noncompliance referrals and 48 fraud referrals. Referrals in any given year can be dramatically different from previous years due to a number of factors, including several prosecutions from one investigation, or a dramatic increase in leads or tips.

The State Auditor asserts that the Attorney General's office has adequate staffing to prosecute any referral, yet there are in excess of 200 cases that were referred to the Attorney General over a year ago. More than 50 of those cases are in excess of three years old and as such may have exceeded the statute of limitations to prosecute. If staffing levels are, indeed, sufficient at the Attorney General's office, the Department has significant questions about the prioritization of cases by the Attorney General.

The State Auditor indicates fines and penalties generated from referrals to the Attorney General declined by over 50% from 2005 to 2007 according to the Attorney General's office data. Settlement amounts are agreed to by the Attorney General. The Department has no control over any settlement reached between the Attorney General and trial attorneys. The Department interprets this audit finding to indicate that the Attorney General's office could do more to improve these results.

Recommendation 4.2: Work with the General Assembly to revise state statutes to allow the division to consider future administrative expenses when calculating the administrative tax and surcharge rates.

This recommendation requires legislative action. The Department is an administrative agency charged with applying legislation, not enacting legislation. The Department, in its effort to effectively apply statute, will focus its response on the limited operational recommendations contained in the report and as such will be unable to adequately reply to any recommendations requiring legislative action. Should the General Assembly choose to address recommendations contained in this report, the Department will readily supply information as needed. The Department interprets this recommendation as an acknowledgment by the State Auditor that this matter is currently beyond the control of the Department. The Department would welcome any operational recommendations the State Auditor should have on this issue.

Recommendation 4.3: Require the division to develop procedures to ensure the accuracy and completeness of division data.

The Department agrees with this recommendation. Increased training and communication can mitigate data entry mistakes. The Department will conduct more training and make the training continuous. The Department will also conduct more cross-training. The Department has designated personnel as trainers to ensure training received by employees is consistent and standardized. Quality control issues have been identified and the Department is developing a plan to address quality control issues through training and a renewed focus on standard operating procedures. The Department is developing a monthly communication to be emailed to outer offices in an effort to share communication, updates, and ensure accuracy and consistency from office to office.

The Department will also initiate efforts to provide for consistency. The Department will identify a person in each section; docketing, injury processing, liens, entry and withdrawal of attorneys, etc. to answer questions about data entry. The Department will also send a standard procedure manual to the outer offices with those procedures that pertain to the outer offices. The Department is developing standard forms for entry, withdrawal, and substitution of attorneys. Other forms have been modified to enable auto-indexing in an effort to ensure the accuracy of Department data. Some Department forms have been modified to automatically make calculations to ensure data accuracy. Department data, in some cases, is received from attorneys representing employees. This information is received on legal documents and must be entered exactly as it appears on the document. This affects data accuracy. The Department has made a significant push to electronic submission of forms and data. The automation reduces chances for human error. In addition, the Department currently conducts random samples to check data accuracy. To ensure completeness of Department data, the Department is reviewing criteria for closing cases to ensure the completeness of Department data.

Recommendation 4.4: Require the division to track and monitor the timeliness of reporting injury information, processing claims, and benefit payments using existing database information to improve employers' and/or insurers' performance.

The Department will increase its work through education and investigation to monitor and improve reporting compliance by employers and insurers. The Department will continue to seek improvement in these areas. At the same time, the Department is in the planning stages to rebuild or replace the DWC computer system. This process will allow the Department to review reporting compliance issues and address those issues in the new system.



Susan Montee, CPA
Missouri State Auditor

Thirty-Ninth Judicial Circuit

City of Monett Municipal Division



September 2008
Report No. 2008-56

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

An audit was conducted by our office of the Thirty-Ninth Judicial Circuit, city of Monett Municipal Division.

Better controls are needed over the municipal division's computerized receipting system and receipts are not deposited intact on a timely basis. Additionally, a comprehensive accounts receivable control report is not prepared to provide increased accountability and to facilitate monitoring of amounts due to the court.

Restitution monies need to be distributed to victims more timely, and the municipal division needs to improve follow-up procedures on old outstanding checks. Also, the police department does not maintain records to account for the numerical sequence of tickets issued, and the Municipal Judge does not always sign court dockets after case dispositions are recorded. The municipal division received over \$460,000 during the two years ended March 31, 2008.

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YELLOW SHEET

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF MONETT
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Ninth Judicial Circuit
and
Municipal Judge
Monett, Missouri

We have audited certain operations of the city of Monett Municipal Division of the Thirty-Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended March 31, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Monett Municipal Division of the Thirty-Ninth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF MONETT
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Municipal Division Controls and Procedures

Better controls are needed over the municipal division's computerized receipting system and receipts are not deposited intact on a timely basis. A comprehensive accounts receivable control report is not prepared and restitution monies need to be distributed more timely. Improvements are needed to follow-up on old outstanding checks and account for traffic tickets and appearance tickets. Also, the Municipal Judge does not always sign court dockets after case dispositions are recorded.

- A. The municipal division's computer system does not maintain a record of the actual date monies are received. The computerized receipting system allows the Court Clerk to enter the date of the business day and this date will be shown as the date of all receipts (regardless of the actual date the monies were received) until the Court Clerk closes out her cash drawer.

We noted instances where the Court Clerk kept the business day open in the accounting system for at least 12 days. This caused there to be instances where bond money transmitted from the police department to the court was recorded as received by the municipal division before the bond was ever posted at the police department. In one example, a defendant was arrested and posted a bond at the Police Department on August 25, 2007; however, according to municipal division records, the Court Clerk received the payment on August 24, 2007, one day before the bond was posted.

Allowing the Court Clerk to selectively enter the date monies are received is a significant computer control weakness, and the municipal division should consult with their computer programmer about improvements to the computer system. Additionally, holding the business day open for extended periods of time does not accurately reflect dates transactions occurred in the accounting system. An immediate record of receipt which reflects the actual date of receipt is necessary to properly document and account for all monies received. The municipal division should develop procedures to ensure the actual date of receipt is recorded for all monies.

- B Receipts are not deposited intact or on a timely basis. Our review identified receipts that were not recorded and deposited in the order received. For example, one cash bond transmitted from the Police Department on August 29, 2006, was not recorded by the Court Clerk until September 19, 2006, even though numerous other bonds totaling over \$4,000 were transmitted and recorded during this time

period. According to the Court Clerk some monies are held until the related ticket is received and entered into her computer system. Further, the Court Clerk cashed a personal check from official court receipts, and in another instance, court monies were held in cash by the Court Clerk until the monies were subsequently returned to the defendant.

Additionally, receipts are deposited approximately weekly. Deposit amounts ranged from \$1,300 to over \$8,800 during the months we reviewed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be recorded immediately upon receipt and deposited intact on a timely basis. The practice of cashing personal checks from municipal division receipts should be discontinued and all refunds should be made by check.

- C. The municipal division does not prepare a comprehensive accounts receivable control report. Individual case files and the municipal division's computerized software track balances due; however, summary information from the software is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective.

Upon our request, an accounts receivable listing was prepared by the Court Clerk which indicated approximately \$145,900 was due to the municipal division as of June 2008. We noted one case where the amount due on the computerized accounts receivable records differed slightly from the amount due recorded in the defendant's manual case file. An accurate comprehensive accounts receivable ledger is necessary to provide increased accountability and to facilitate monitoring of amounts due.

- D. Restitution monies received by the municipal division have not been distributed in a timely manner. The municipal division receives restitution payments from cases where the court has awarded a victim restitution and the monies are deposited into the municipal division's bank account. The restitution monies are usually held until all monies related to a case have been collected unless the victim requests a partial payout of the restitution collected.

Restitution monies totaling \$6,827 were being held in the municipal division's account at March 31, 2008. We noted one case where restitution totaling \$729 was paid in full in October 2006 and was not paid to the victim until April 2008. In another case, \$300 in restitution has been held since 1998 with the case showing no court activity.

The municipal division should establish procedures to monitor and distribute restitution monies to victims in a timely manner.

- E. The municipal division does not adequately follow-up on old outstanding checks. At March 31, 2008, there were six outstanding checks for the fine and cost

account totaling approximately \$1,400 and nine outstanding checks for the bond account totaling approximately \$180 which had been outstanding for more than one year. Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- F. The Municipal Judge does not always sign court dockets after case dispositions are recorded. Instead, the Court Clerk maintains custody of the Municipal Judge's signature stamp which is used to stamp docket sheets and other court documents.

Using a signature stamp in this manner lessens the controls over having the Municipal Judge review the case docket and court documents and increases the risk of court cases being handled improperly.

- G. Improvements are needed to account for traffic tickets and appearance tickets (non-traffic violations). The police department does not maintain records to account for the numerical sequence of the tickets issued. The police department maintains a log of ticket books assigned to officers and then individual ticket information is entered into the police department's case software; however, records accounting for the numerical sequence of tickets issued are not maintained.

Without a proper accounting for the numerical sequence of tickets, the police department cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets.

WE RECOMMEND the city of Monett Municipal Division:

- A. Develop procedures to ensure the actual date of receipt is recorded for all monies received.
- B. Record all monies immediately upon receipt and deposit intact on a timely basis. In addition, the court should discontinue the practice of cashing personal checks from court receipts and make all refunds by check.
- C. Prepare an accurate comprehensive accounts receivable control ledger to properly account for and monitor amounts due to the court.
- D. Monitor and distribute restitution monies to victims in a timely manner.
- E. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks that are outstanding for a considerable time.
- F. Require the Municipal Judge to sign the court docket sheets and discontinue the use of a signature stamp for the Municipal Judge.

- G. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets issued.

AUDITEE'S RESPONSE

The Municipal Judge and the Court Clerk provided the following responses:

- A. *Better procedures are being implemented to assure monies are receipted on the actual date received; however, the court office is staffed by one person. In regards to the cited occurrences, if the court office is closed for vacation, training, illness, etc., money is not receipted in. Upon the clerk's return, the monies that were paid via U.S. mail service or deposited in the secure court payment drop, are receipted in using a previous date so as to not penalize the defendant for what would appear to be a late payment.*
- B. *Receipts are deposited as soon as time allows. We will work on making this occur in a more timely manner. There have been instances when a cash bond is received prior to the case being forwarded to the court. Therefore, a case has not been established to apply the bond to. This money is held in a secure location and is deposited upon the case being filed to aid in the cohesiveness of processing the bond with the appropriate assigned case number. A policy has been implemented to not cash personal checks. Refunds will continue to be paid with a court issued check.*
- C. *We are implementing a systematic, periodic comparison of the comprehensive report to the individual detail. Any case/defendant with a past due balance in excess of 30 days has been given the opportunity to appear in court to make arrangements to rectify this matter; however, if this has not occurred, an active failure to comply warrant has been issued.*
- D. *A better effort will be made in distributing restitution upon completion of payment. The Court elects to maintain the collected restitution money in whole and distribute one check in total rather than issuing numerous minimal sporadic checks.*
- E. *Old outstanding checks will be remitted to the Missouri State Treasurer's Unclaimed Property Division.*
- F. *We agree the Judge should physically sign every document. New procedures will eliminate the use of the signature stamp. If the Judge's signature stamp has been used, he has directed the clerk to due so.*
- G. *Each ticket book is assigned and logged to an officer. Procedures have been implemented to assure accountability for each ticket.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF MONETT
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Monett Municipal Division is in the Thirty-Ninth Judicial Circuit, which consists of Barry, Lawrence, and Stone Counties. The Honorable Robert S. Wiley serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At March 31, 2008, the municipal division employees were as follows:

Municipal Judge	Dale Burke
Court Clerk	Mechele Tharp

Financial and Caseload Information

	<u>Year Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
Receipts	\$ 282,489	178,488
Number of cases filed	2,201	1,781



Susan Montee, CPA
Missouri State Auditor

Thirteenth Judicial Circuit

Callaway County



September 2008
Report No. 2008-55

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

September 2008

The following finding was noted as a result of an audit conducted by our office of the Thirteenth Judicial Circuit, Callaway County, Missouri.

As of March 2008, the Circuit Clerk's accounts had 68 outstanding checks, totaling \$8,552, that were over a year old. Some of the checks were issued as far back as July 2005. Court personnel indicated many of the checks have remained outstanding because they have been returned as undeliverable and new addresses cannot be located for the payees. As of April 2008, court personnel were holding \$5,056 in returned checks for this reason. Old outstanding checks create additional and unnecessary record keeping responsibilities.

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THIRTEENTH JUDICIAL CIRCUIT
CALLAWAY COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Thirteenth Judicial Circuit
Callaway County, Missouri

We have audited certain operations of the Thirteenth Judicial Circuit, Callaway County. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the judicial circuit has adequate internal controls over significant financial functions such as receipts.
2. Determine if the judicial circuit has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and Callaway County and was not subjected to the procedures applied in our audit of the judicial circuit.

The accompanying Management Advisory Report presents our finding arising from our audit of the Thirteenth Judicial Circuit, Callaway County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Janielle Arens

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

THIRTEENTH JUDICIAL CIRCUIT
CALLAWAY COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Circuit Clerk's Old Outstanding Checks

The Circuit Clerk does not currently have procedures to routinely follow-up on old outstanding checks. As of March 2008, the Circuit Clerk's accounts had 68 outstanding checks, totaling \$8,552, that were over a year old. Some of the checks were issued as far back as July 2005.

Court personnel indicated many of the checks have remained outstanding because they had been returned as undeliverable and new addresses cannot be located for the payees. As of April 2008, court personnel were holding \$5,056 in returned checks for this reason. We were informed that no one has followed-up on old outstanding checks since June 2007.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow-up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk adopt procedures to routinely follow-up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated he is in agreement with the finding contained in the report and that action has been taken to correct all old outstanding checks. In addition, a policy has been put in place to ensure outstanding checks are processed in a more timely way.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CALLAWAY COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Thirteenth Judicial Circuit consists of Callaway County and Boone County.

The Thirteenth Judicial Circuit consists of four circuit judges and six associate circuit judges. The circuit judges hear cases throughout the circuit. One circuit judge (elected by secret ballot of his peers) serves as the presiding circuit judge and is responsible for the administration of the circuit. Of the six associate circuit judges, two are located in Callaway County and hear cases primarily in the county. The other four associate circuit judges are located in Boone County.

In addition to the judges, the Thirteenth Judicial Circuit, Callaway County personnel include a circuit clerk, twelve deputy clerks, three court reporters (who also serve Boone County), one juvenile supervisor, three full-time and seven part-time deputy juvenile officers, and one support staff. The circuit personnel for Boone County are reported on separately.

Operating Costs

The salaries of the judges, circuit clerk, and twelve deputy court clerks are paid for by the state of Missouri. Operating costs for the circuit judges and court reporters are paid for by Callaway County and Boone County based on the percentage of the county's population to the total circuit populations. The salaries of the juvenile officer, the local juvenile office supervisor, three full-time deputy juvenile officers, and one support staff are paid for by the state of Missouri, while the seven part-time juvenile officers are paid for by Callaway County.

Receipts

Receipts of the Thirteenth Judicial Circuit, Callaway County, were as follows:

	Year Ended December 31,	
	2007	2006
Court deposits, fees, bonds, and other	\$ 1,183,391	1,509,614
Interest income	4,181	3,588
Total	\$ <u>1,187,572</u>	<u>1,513,202</u>

Caseload and Time Standards Statistics

From the Office of State Courts Administrator Missouri Judicial Reports, caseload statistics of the filings and dispositions of the Thirteenth Judicial Circuit, Callaway County, were as follows:

Year Ended June 30,				
	2007		2006	
	Filings	Dispositions	Filings	Dispositions
Civil	2,044	1,971	2,089	2,015
Criminal	2,972	3,113	3,571	3,381
Juvenile	175	178	228	143
Probate	150	131	181	181
Total	5,341	5,393	6,069	5,720

From the Office of State Courts Administrator Missouri Judicial Report for fiscal year 2007, statistics on compliance of the Thirteenth Judicial Circuit, Callaway County, with time standards for disposition of certain types of cases were as follows:

Type of Case	Time Standard	Thirteenth Judicial Circuit Callaway County	State Total
Circuit Civil	90 % in 18 months	81 %	77 %
	98 % in 24 months	93	88
Domestic Relations	90 % in 8 months	85	84
	98 % in 12 months	92	91
Associate Civil	90 % in 6 months	96	87
	98 % in 12 months	100	97
Circuit Felony	90 % in 8 months	96	81
	98 % in 12 months	100	90
Associate Criminal	90 % in 4 months	71	71
	98 % in 6 months	88	85

Personnel

At December 31, 2007, the judges, Court Administrator, Circuit Clerk, and Juvenile Officer of the Thirteenth Judicial Circuit, Callaway County, were as follows:

Circuit Judges:

Gene Hamilton, Presiding Judge, Division One
Gary Oxenhandler, Division Two
Kevin Crane, Division Three (1)
Jodie Capshaw Asel, Division Four

Associate Circuit Judges:

Carol England, Division Six (2)
Cary Augustine, Division Seven

Kathy Lloyd, Court Administrator

Curtis Quick, Circuit Clerk

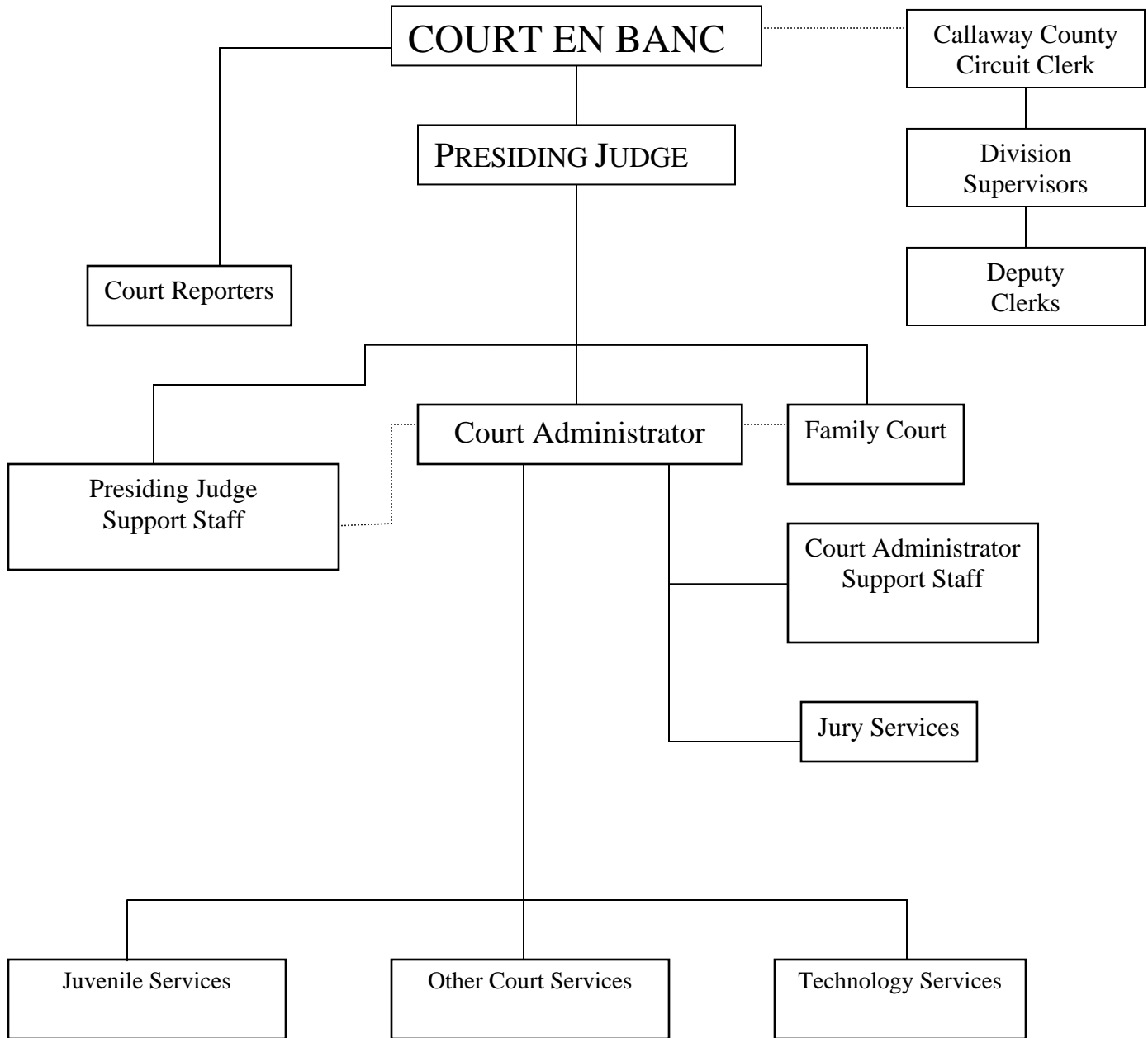
Rick Gaines, Juvenile Officer

(1) Replaced Ellen Roper effective January 1, 2007.

(2) Replaced Joe Holt effective January 1, 2007.

An organization chart follows:

THIRTEENTH JUDICIAL CIRCUIT
CALLAWAY COUNTY
ORGANIZATION CHART
DECEMBER 31, 2007





Susan Montee, CPA
Missouri State Auditor

Montgomery County



August 2008

Report No. 2008-54

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

August 2008

The following findings were included in our audit report on Montgomery County.

The county does not have a written policy and effective monitoring procedures regarding vehicle usage. In addition, revenue received by the road and bridge department was not turned over to the county in a timely manner. Some county employees are provided meals at no cost from the jail. The County Clerk does not maintain centralized leave records for county employees or receive time sheets from the Sheriff's department. During the years ended December 31, 2007 and 2006, the county made administrative transfers of \$5,000 each year from the Emergency Management Fund to the General Revenue Fund without statutory or contractual authority.

County property records and physical inventory procedures for capital assets are not adequate.

The Prosecuting Attorney policies and procedures related to bank reconciliations, receipts, deposits, disbursement of restitution monies, and outstanding checks are in need of improvement.

Open items listings are not prepared for the Sheriff's accounts and both accounts contain unidentified monies. Procedures for outstanding checks of the inmate account are not adequate.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

MONTGOMERY COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County

We have audited certain operations of Montgomery County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, have been engaged to audit the financial statements of Montgomery County for the two years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Montgomery County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Randall Gordon, CPA, CGAP
In-Charge Auditor:	Christina Davis
Audit Staff:	Patrick Pullins
	David Rothermich
	Nathaniel Fast

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MONTGOMERY COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	County Policies and Expenditures
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Controls over the road and bridge department are in need of improvement. Some county employees are provided meals at no cost from the jail. Concerns were noted over time sheets and leave records. In addition, an administrative transfer was made without statutory authority.

A. The county does not have a written policy and effective monitoring procedures regarding vehicle usage.

1. Numerous road and bridge vehicles are owned and approximately \$130,000 was spent on fuel for each of the two years ended December 31, 2007 and 2006. The county does not have a formal written policy on the proper use of vehicles and vehicle usage logs are not maintained.
2. The road and bridge department supervisor is allowed to use a county vehicle to commute to and from work. The County Commission indicated this is necessary because the employee is on-call 24 hours a day. However, the county does not have a written policy addressing the use of vehicles for commuting purposes. In addition, vehicle logs were not maintained and the amount of personal (commuting) mileage is not included on the employee W-2 form as a fringe benefit.

Without adequate vehicle usage logs, the county cannot effectively monitor the use of vehicles or determine that maintenance and fuel costs for vehicles are reasonable and represent legitimate and appropriate expenses.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used in compliance with county policies and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

The Internal Revenue Service (IRS) reporting guidelines provide that personal commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits. A formal written county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

- B. On March 27, 2008, the road and bridge department sold scrap metal for \$897 to a salvage yard without the approval of the County Commission. The revenue from this sale was not turned over to the county in a timely manner. Around April 10, 2008, when the County Commission became aware the metal was sold, they inquired as to why the money had not been turned over to the county. The money was turned over to the county on April 14, 2008, by the road and bridge supervisor who also resigned. The situation is being investigated by the Missouri State Highway Patrol (MSHP).

To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, all monies should be transmitted to the county intact on a timely basis.

- C. Employees of the Sheriff's department and another county employee are being provided meals at no cost from the jail. The Jailer indicated that employees who are on duty at the jail during meal times are provided meals. He estimated the number of meals to be around 10 per day; however, documentation of the number of meals provided to employees is not maintained. The cost per meal ranges from \$1.39 to \$2.30 depending on the number of meals served. The food service agreement does not address providing meals to county employees and the number of meals provided to employees is not documented. The county's personnel policy does not address whether employees are to be provided meals from the jail. A written policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.
- D. The County Clerk does not maintain centralized leave records for county employees or receive time sheets from the Sheriff's department.
1. The County Clerk maintains records of vacation and sick leave earned, taken or accumulated for the road and bridge department only. Each individual office is responsible for maintaining these records. In addition, during 2007, vacation leave balances were not adequately reviewed as six road and bridge employees had vacation leave balances over the one year maximum accrual established in the county's policy manual.
 2. The County Clerk does not receive time sheets for employees of the Sheriff's department. Instead, the Sheriff's department sends a letter to the County Clerk indicating the amount each employee is to be paid. One instance was noted where the amount paid for overtime did not agree to the overtime amount recorded on the time sheet. The employee said he had forgotten to update his time sheet for compensatory time used which would have reduced the overtime amount paid during the pay period.

Centralized records are needed to ensure payroll amounts are correct, policies are being uniformly followed, employees vacation and sick leave records are accurate, potential leave liabilities are being monitored, all employees are treated equitably, and leave time used does not exceed leave time earned and

accumulated. In addition, such records also aid in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act.

- E. During the years ended December 31, 2007 and 2006, the county made administrative transfers of \$5,000 each year from the Emergency Management Fund to the General Revenue Fund without statutory or contractual authority. The county had no documentation to support how the administrative transfer was determined or what expenses were incurred that needed to be reimbursed. The Emergency Management Fund receives \$43,000 from Ameren each year to maintain their Local Radiological Emergency Response Plan. According to the County Commission, Ameren is aware of the transfer, but it is not specifically authorized in the contract. By transferring monies to the General Revenue Fund without supporting documentation, the county cannot ensure compliance with the agreement to only spend the money on their Local Radiological Emergency Response Plan.

Section 50.515, RSMo, allows administrative transfers from certain county funds to the General Revenue Fund to reimburse for actual administrative expenses incurred. However, the Emergency Management Fund is not one of the allowed funds per this statute. To ensure administrative transfers are in accordance with state law, this transfer should be discontinued.

Similar conditions to A and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Adopt a written policy regarding proper and allowable use of county vehicles. Usage logs should be maintained on all road and bridge vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, the County Commission should ensure compliance with IRS reporting requirements related to personal commuting mileage.
- B. Ensure monies are transmitted from the road and bridge department to the county in a timely manner.
- C. Establish a written policy regarding providing meals from the jail to county employees.
- D. Ensure centralized time sheets and leave records are maintained for all employees. In addition, leave balances should be periodically reviewed to ensure employees do not accumulate or use more leave time than is allowed by county policy.
- E. Discontinue the administrative transfer from the Emergency Management Fund to the General Revenue Fund.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. We will consider adopting a policy for proper and allowable use of county vehicles. We will consider putting usage logs in vehicles to keep track of mileage and fuel. We feel our current procedures are sufficient for our dump trucks as we have GPS tracking and other information so that we feel dump trucks are properly used. We will review the IRS guidelines for the road and bridge department supervisor's vehicle to see if any changes need to be made.*
- B. It is our policy for any monies received to be turned over timely. This did not occur in this situation. When the matter was brought to our attention, we took steps to ensure the monies were turned over and notified the MSHP. This matter is still under investigation by the MSHP. We will continue to do what we can to ensure monies are turned over in accordance with our policy.*
- C. We will review the Sheriff's department policy regarding this to see if a change in our policy is needed. The other employee is no longer receiving lunches.*
- D. The County Clerk will review procedures and develop a system to ensure leave records are maintained for all employees and to ensure time sheets are obtained. We will make sure the policies regarding leave balances are followed. We will reiterate to the employees that leave needs to be used or will be lost.*
- E. We anticipate incorporating this transfer into our contract with Ameren to allow us to continue making this transfer.*

2. Capital Assets

The County Commission or its designee is responsible for maintaining a complete and detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. While the County Clerk maintains a computerized inventory listing of capital assets held by county officials, the capital asset listings have not been updated, nor has a physical inventory been completed since the summer of 2004. Additionally, the capital asset records were not updated to reflect changes that were discovered during the physical inventory. The county has not developed a policy to define who is responsible for inventory records, the procedures to be followed, and the content of the records. Our review found at least \$84,600 of capital assets (voting equipment, vehicles, computer equipment, etc.) purchased during the two years ended December 31, 2007, that were not added to the capital asset listing. In addition, property records do not always include the necessary information for some assets, such as the date and method of disposal, and property items were not always properly numbered, tagged, or otherwise identified. Also, although records show assets were disposed of through

surplus auctions, written authorization from the County Commission was not obtained for these dispositions.

Adequate capital assets records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. In addition, property control tags should be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county. Also, written authorizations from the County Commission should be obtained for dispositions.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions. In addition, property control tags should be affixed and written authorization should be obtained from the County Commission for the disposition of assets.

AUDITEE'S RESPONSE

The County Commission indicated we will try to do a better job of getting all assets recorded on the capital asset listing by following the suggestions indicated. We will document approval of capital asset dispositions. For the voting equipment, a list was provided to the Secretary of State's office, but these assets were not added to the capital asset listing and these items were not tagged as county property.

3. Prosecuting Attorney's Accounting Controls and Procedures

Policies and procedures related to bank reconciliations, receipts, deposits, disbursement of restitution monies, and outstanding checks are in need of improvement. The Prosecuting Attorney's office deposits approximately \$33,000 annually in fees and restitution payments. However, the amount of restitution payments received and forwarded to victims instead of being deposited is not known as a listing of these monies received is not maintained.

- A. Formal bank reconciliations are not performed monthly for the bank account maintained. In addition, no outstanding check list or book balance is maintained. As a result, there was no information available to perform a bank reconciliation which could then be used to reconcile to a monthly listing of liabilities. As of December 31, 2007, the bank account balance was \$1,055. At our request, the Prosecuting Attorney attempted to perform a bank reconciliation for February 2008. As part of this process, a listing of all checks issued since January 1, 2005, was prepared to determine which checks had cleared the bank and which checks were still outstanding. This review determined that outstanding checks totaled \$1,228 as of December 31, 2007, indicating a shortage of \$173 in the account.

Also, monthly open items (liabilities) listings are not prepared and reconciled to the cash balance. Preparing an open items listing is necessary to ensure records are in balance and that sufficient cash is available to pay all liabilities.

Adequate reconciliations between liabilities and reconciled cash balances are necessary to ensure the cash balance is properly identified and monies are sufficient to meet liabilities. Without these reconciliations, the Prosecuting Attorney has no assurance that all transactions have been properly recorded in the bank account. To provide this assurance, a book balance should be maintained and reconciled to the bank balance each month. In addition, a listing of open items should be prepared and reconciled to the reconciled bank balance.

- B. The following concerns were noted regarding receipting procedures:
1. Receipt slips do not consistently agree to monies received. Bad check payors are instructed to submit two money orders to the Prosecuting Attorney, one for restitution to the victim and a second for fees due to the county. We noted that some receipt slips were written for the total received, some for only the county fees received, and some for only the restitution received. Additionally, we noted some instances in which two receipt slips were issued, one for county fees and one for restitution. Because of these discrepancies in recording, collections per the receipt slip books do not match the amount deposited by the Prosecuting Attorney.
 2. A March 13, 2008, cash count determined that some monies are not receipted. A check on hand at the time of the cash count from the Circuit Court was not receipted. The bad check clerk indicated that procedures are to not receipt monies received from the courts and to receipt only monies received from private parties.

3. Receipt slips do not always indicate the method of payment. While the predominant method of payment received are money orders, cash and checks are occasionally received.
4. Receipt slips were not issued in sequential order. While reviewing receipt slips issued from July 27 through October 2, 2006, two receipt slips in this sequence were actually issued in January and February of 2007.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued in sequential order for all monies received immediately upon receipt. The receipt slips should indicate the method of payment, the receipt slip numbers should be accounted for, and the composition of receipts should be reconciled to the composition of bank deposits.

- C. Receipts are not deposited intact on a timely basis. The bad check clerk indicated that currently deposits are made monthly. A cash count performed on March 13, 2008, included twelve payments dating back to March 3 totaling \$619. However, a deposit on September 22, 2006, included \$940 in receipts dated from July 10 to September 1, 2006. The next deposit, on October 20, 2006, included \$2,755 of receipts dated from August 3 to September 28, 2006, indicating that some funds received in August and September were not deposited intact.

To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, all monies should be deposited intact on a timely basis.

- D. Money orders received for repayment of bad checks are not deposited but instead are forwarded directly to the victim and documentation is not obtained from the merchant to ensure payments are received.

Good internal control procedures require that all receipts be deposited to an official account and distributed through issuance of a check; and that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misuse of funds will not be detected on a timely basis.

- E. Procedures have not been established to resolve old outstanding checks. The listing of outstanding checks prepared at our request indicated fourteen checks were outstanding as of December 31, 2007, and totaled \$1,228. Four of these checks, totaling \$545, were issued in 2006.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure bank reconciliations, outstanding check listings, and open items listings are prepared monthly and reconcile the open items listing to the reconciled bank balance. Any differences should be investigated and resolved. In addition, a book balance should be maintained for the bank account.
- B. Require that receipt slips be issued for all monies received. The receipt slips should indicate the method of payment and the total amount of monies received. In addition, receipt slips should be issued in sequential order.
- C. Ensure all receipts are deposited intact on a timely basis.
- D. Deposit all receipts to the bank account and distribute monies by issuing a check. If money orders are turned over directly to victims, documentation should be obtained.
- E. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

AUDITEE'S RESPONSE

The Montgomery County Prosecuting Attorney resigned on April 30, 2008. Since then, the Prosecuting Attorney for Warren County and the Prosecuting Attorney for Audrain County are serving as interim Prosecuting Attorneys for Montgomery County. The interim Prosecuting Attorney from Warren County provided the following responses.

Since I am an interim Prosecuting Attorney, I will suggest the following to the office staff but leave the ultimate decisions up to whoever is appointed the Prosecuting Attorney for Montgomery County.

- A. *I will suggest that bank reconciliations, outstanding check listings, and open items listing be prepared monthly and open items be reconciled monthly. I will suggest differences are investigated and a book balance be maintained.*
- B. *I will suggest that receipt slips be issued for all monies received and the method of payment and the total amount received should be indicated on receipt slips.*
- C. *I will suggest that deposits are made at least weekly.*
- D. *The Prosecuting Attorney's office has indicated they anticipate going with CARPEL (case management system) in October 2008 which contains a restitution/bad check program. When this system is obtained, the system will be reviewed and if the system allows, I will suggest that all receipts are deposited and then distributed by check. If*

money orders are forwarded I will suggest that documentation be obtained to show the money order has been forwarded.

- E. I will suggest that outstanding checks are investigated after six months and reissued if payees can be located. If the payee can not be located, monies will be distributed in accordance with state law.*

4. Sheriff's Accounting Controls and Procedures
--

Open item listings are not prepared for the Sheriff's accounts and both accounts contain unidentified monies. Procedures for outstanding checks of the inmate account are not adequate.

A fee account is maintained for the receipt of monies from bonds, gun permits, garnishments, civil and criminal paper, and inmate phone commissions. The Sheriff's department received approximately \$318,000 and \$297,000, during the years ended December 31, 2007 and 2006, respectively.

An inmate account is also maintained for amounts collected from inmates at the time of their arrest and any additional funds received by the inmates, and held in trust until their release. Inmates may use these monies for purchases from the jail commissary. The Sheriff's department received monies totaling approximately \$102,000 and \$114,000, during the years ended December 31, 2007 and 2006, respectively.

A.1. Monthly open items (liabilities) listings are not prepared and reconciled to cash balances for the fee account. The reconciled cash balance as of December 31, 2007 was \$10,995. Fees totaling \$6,429 were turned over to the County Treasurer in January 2008, leaving a \$4,566 difference of unknown open items. The Sheriff's bookkeeper indicated the only open items in the account should be garnishments that have been collected but not turned over to the applicable party. An open items listing including garnishments prepared by the Sheriff's department, for March 6, 2008, indicated unknown open items of approximately \$1,800.

2. Monthly open items (liabilities) listings are not prepared and reconciled to cash balances for the inmate account. On March 26, 2008, upon our request, the Jail Bookkeeper prepared from the jail computer program an open items listing totaling \$2,497 due to inmates. The book balance of the inmate account on that date totaled \$2,667, indicating unknown open items of approximately \$170.

A listing of liabilities should be prepared and reconciled to the cash balance on a monthly basis to ensure accounting records are in balance and all monies in the account are properly identified. Differences between the open items listings and cash balances should be investigated and resolved.

- B. The outstanding check listing prepared is not adequate and procedures have not been established to resolve old outstanding checks from the Sheriff's inmate account. Upon our request, the Sheriff's bookkeeper provided a listing of checks, including some written in 2004, believed to be outstanding. She stated the list totals \$3,927; however, we were not able to find this total on the listing or verify the total from the list, due to the lack of adequate detail.

A number of outstanding checks may belong to illegal immigrants who have been deported by the Immigration and Naturalization Service (INS). INS has notified the Sheriff that outstanding checks reverting to unclaimed property from these individuals should be turned over to INS.

An outstanding check listing needs to be prepared monthly and included as part of the bank reconciliation to document the outstanding checks at the time of the reconciliation. In addition, old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law and/or INS directives.

A condition similar to A was also noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash control record and to the reconciled cash balance.
- B. Prepare a monthly listing of outstanding checks and include the listing with the bank reconciliation. In addition, the Sheriff should establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law and/or INS directives.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *We agree and are working on implementing this recommendation. Any amounts that can not be identified after approximately six months will be turned over in accordance with state law.*
- B. *We are in the process of implementing these recommendations. Some monies have already been turned over to the INS and we will continue to work on investigating old outstanding checks and reissue the checks or turn the checks over in accordance with state law.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

MONTGOMERY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Montgomery County on findings in the Management Advisory Report (MAR) of our audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Overspending Budgets

Actual expenditures were in excess of approved budgeted expenditures for several funds. In addition, unbudgeted transfers were identified and some expenditures were not properly classified in the budget to actual reports.

Recommendation:

The County Commission, County Clerk, and Associate Circuit Court ensure all expenditures are appropriately classified in the budgets and refrain from authorizing disbursements in excess of budgeted amounts. If the county receives additional funds, which could not be estimated when the budget was adopted, the county should amend its budget by following the procedures required by Section 50.622, RSMo.

Status:

Partially implemented. Only three small funds had disbursements in excess of budgeted amounts and expenditures were properly classified. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Expenditures

- A. The road and bridge department did not maintain vehicle logs and the Sheriff's department daily activity reports did not indicate the operation and maintenance costs of the patrol cars.
- B. Some fuel charge tickets were not located to support monthly fuel invoices.
- C. A road and bridge employee was allowed to use a county vehicle to commute between home and work. Records of mileage incurred were not maintained and this mileage was not included as a fringe benefit.
- D. Employees of the Sheriff's department were provided meals at no cost from the jail while on duty; however, documentation of the number of meals provided to employees was not maintained. In addition, other county employees could

purchase meals from the jail for less than our calculated meal cost. The county's personnel policy did not address these issues.

Recommendations:

The County Commission:

- A. Require the road and bridge and Sheriff's departments to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, fuel usage should be compared to the number of miles driven to evaluate reasonableness and the fuel efficiency of the county's vehicles, and should be reconciled to fuel purchases.
- B. Ensure adequate documentation is maintained to support invoices paid.
- C. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- D. Consult with the Sheriff and determine whether Sheriff's department employees should be provided meals at county expense and if necessary, update the county personnel policy. In addition, the County Commission should periodically determine the cost of providing meals and adjust the amount charged to county employees accordingly.

Status:

- A. Partially implemented. Vehicle logs are maintained by the Sheriff's department. However, the road and bridge department does not maintain vehicle logs. See MAR finding number 1.
- B. Implemented.
- C&D. Not implemented. See MAR finding number 1.

3. Banking Practices

The county had not established procedures to maximize interest earnings and had not entered into written agreements with some of its depository banks. Monies in numerous accounts were located in six different banks throughout the county.

Recommendation:

The County Commission establish procedures to maximize interest earnings whenever possible. In addition, the County Commission, along with the County Treasurer, should reduce the number of bank accounts maintained to as few as needed to efficiently account

for the county's monies. Also, the County Commission should enter into written agreements with its depository banks.

Status:

Partially implemented. Although the number of banking institutions and accounts has been reduced and steps have been taken to maximize interest earnings, bids have not been solicited for and formal depository agreements have not been entered into with banking institutions. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Public Administrator's Salary

The Public Administrator received a salary of 90 percent of the amount set forth in statute, to correspond with the salaries paid to other county officials. There was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum.

Recommendation:

The County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

Status:

The Public Administrator's salary is now 100 percent of the amount set forth in statute.

5. Fixed Asset Procedures and Controls

Fixed asset records have not been updated and a physical inventory of assets had not been completed since December 1997. A policy had not been developed to define who is responsible for inventory records, the procedures to be followed, and the content of the records. Purchased items, totaling approximately \$471,400, were not recorded and were not tagged as county property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 2.

6. Apportionment of Railroad and Utility Taxes

Errors were made when calculating railroad and utility taxes distributed to various school districts resulting in incorrect payments to the various school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these errors.

Status:

Implemented. The County Clerk sent letters to the overpaid school districts requesting repayment along with a copy of the computations showing the overpayment made. The overpayment was returned by the school districts, received by the County Treasurer, and redistributed to the underpaid school districts.

7. Associate Circuit/Probate Division's Controls and Procedures

- A. Accounting duties were not adequately segregated. Two individuals were primarily responsible for receiving, disbursing and depositing monies, preparing banks reconciliations, and maintaining accounting records. There were no documented reviews of the accounting records performed by the Associate Circuit/Probate Division Judge.
- B. Receipts were not deposited timely as deposits were made approximately once per week.

Recommendations:

The Associate Circuit/Probate Division:

- A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.
- B. Ensure that deposits are made intact daily or when accumulated receipts exceed \$100.

Status:

Implemented.

8. Sheriff's Fee Account Controls and Procedures

- A. An open items listing was not maintained to ensure that all monies were properly identified and reconciled to the cash balance on a monthly basis.

- B. The Sheriff's department paid approximately \$2,000 of state prisoner mileage reimbursement money to deputies for transporting prisoners using a county-owned vehicle on county time. Because the county paid all costs related to transporting prisoners, any reimbursement received from the state should have been deposited into the county treasury.

Recommendations:

The Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash control record and to the reconciled cash balance.
- B. Ensure that officers are not receiving reimbursement for mileage when county vehicles are used to transport prisoners. In addition, ensure all reimbursements relating to transporting prisoners are remitted to the County Treasurer. Any disbursements to Sheriff employees should be paid through the normal county expenditure process, which requires the approval of the County Commission. These disbursements should be limited to actual and necessary expenses incurred.

Status:

- A. Not implemented. See MAR finding number 4.
- B. Implemented.

9. Sheriff's Inmate and Commissary Controls and Procedures

- A. Receipt slips were not issued immediately upon the receipt of inmate monies. Receipt slips were not issued for some inmate monies and some receipts were not properly recorded in the accounting records.
- B. Receipts were not deposited timely. For the months reviewed, deposits ranged from four to seven times per month.
- C. Inmate signatures were not always obtained for cash distributions made to them from their accounts.
- D. The total cash balance for all inmates was not reconciled to the bank balance.
- E. The Sheriff's department did not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

Recommendations:

The Sheriff:

- A. Issue prenumbered receipt slips for all inmate monies immediately upon receipt and account for their numerical sequence. Record all transactions to accounting records as they occur.
- B. Ensure deposits are made intact daily or when accumulated receipts exceed \$100.
- C. Obtain inmate signatures on the individual ledger pages for all distributions.
- D. Reconcile the individual inmate balances to the bank balance monthly.
- E. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

Status:

- A. Partially implemented. Receipt slips are not issued immediately, but rather the following day. Transactions are posted to the records when the prior day's transactions are processed each morning. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.
- C. Partially implemented. Inmate signatures were obtained when the balance was refunded; however, the inmate's signature was not obtained in cases where the remaining balance is small and transferred to another inmate. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Partially implemented. Although performed, there is a unidentified difference. See MAR finding number 4.
- E. Not implemented. Although the commissary inventory is the property of the Reserve Deputies Association and not the county, the use of county resources (storage space and employee time to process orders) suggests a minimal level of controls be implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

10. Health Center

- A. Actual expenditures were in excess of approved budgeted expenditures.
- B. The Health Center Board did not have formal depository contracts with its depository banks.

- C. Additions of fixed assets were not always recorded to the fixed asset listing as they occurred, property tags were not always affixed to assets when acquired, and property leased by the health center were not maintained on the fixed asset listing.
- D. The annual published financial statements did not include the appropriate level of detail as required by statute.

Recommendations:

The Health Center Board:

- A. Not authorize expenditures in excess of budgeted amounts and take appropriate action when it appears budgets are going to be exceeded. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.
- B. Enter into written depository agreements with all depository banks.
- C. Record all additions of general fixed assets as they occur and affix property tags to assets at the time of purchase.
- D. Publish annual information for the Health Center Fund in accordance with state law.

Status:

The Health Center was not included in the scope of the current Montgomery County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MONTGOMERY COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Montgomery County is a county-organized, third-class county and is part of the Twelfth Judicial Circuit. The county seat is Montgomery City.

Montgomery County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 12,136 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 119,266,430
Personal property	32,899,824
Railroad and utilities	30,087,139
Total	<u>\$ 182,213,393</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Montgomery County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General	.0050	2013	None	
Capital Improvements	.0050	2014	None	
Dispatching	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Charles W. Korman, Presiding Commissioner		29,060
Rich Daniels, Associate Commissioner		26,400
John W. Noltensmeyer, Associate Commissioner		26,400
Sheila See, Recorder of Deeds		41,000
Pamela A. Cartee, County Clerk		41,000

James A. Whiteside, Prosecuting Attorney	49,000
Robert (Bob) Davis, Sheriff	44,000
Donna Huenefeld, County Treasurer	41,000
David Colbert, County Coroner	12,000
Ann Scarlet, Public Administrator	25,000
Anita L. Sullivan, County Collector ,	41,000
year ended February 29,	
Jerome P. Overkamp, County Assessor (1),	41,355
year ended August 31,	
Bart Korman, County Surveyor (2)	0

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Patricia Bufka, Circuit Clerk	51,197
Kelly C. Broniec, Associate Circuit Judge	101,090

The county entered into a lease agreement with the Montgomery County, Missouri Public Facilities Authority, a not-for-profit corporation on August 1, 1994. The terms of the agreement called for the corporation to issue bonds to be used to construct the Montgomery County Jail and for the bank to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenues. The term bonds portion of the original issue was refinanced in June 1998. The bonds are scheduled to be paid off in 2015. The remaining principal and interest due on the bonds at December 31, 2007 was \$2,602,443.

The county entered into a lease agreement with Firstar Bank to lease purchase the Courthouse Annex Building on July 17, 2000. The terms of the agreement called for the bank to purchase the building and the bank to lease the building back to the county for payments totaling the principal and interest on the purchase price of the building. Payments are made from the Capital Improvements Fund from sales tax revenues. The lease purchase is scheduled to be paid off in 2009. The remaining principal and interest due on the lease-purchase agreement at December 31, 2007 was \$59,799.



Susan Montee, CPA
Missouri State Auditor

Benton County



August 2008

Report No. 2008-53

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

August 2008

The following findings were included in our audit report on Benton County.

There are numerous control weaknesses in the Sheriff's accounting controls and procedures including inadequate segregation of duties, untimely preparation of bank reconciliations, lack of monthly liabilities listings, and inaccurate and incomplete receipting, posting, depositing, and distribution procedures. In addition, procedures have not been established to follow-up on old outstanding checks and bonds, and monitoring procedures for accrued civil fees are not adequate. Finally, an old bank account maintained by the prior Sheriff has not had any activity since 2001.

The listing of open bonds maintained by the Sheriff's office was inaccurate and incomplete. After discussions with the bookkeeper regarding various liabilities, an updated open item listing was prepared as of February 29, 2008. A comparison of the listing to the reconciled cash balance revealed that liabilities exceeded the cash balance by at least \$2,797. However, the bookkeeper is continuing to investigate open bonds and this amount could fluctuate. In addition, cash of \$500 received in December 2007 was not on hand and could not be traced to a deposit. This may have contributed to the previously noted shortage.

Numerous weaknesses were also noted in the County Collector's accounting controls and procedures. The County Collector did not prepare bank reconciliations for two on-line bank accounts and did not prepare monthly listings of liabilities for any accounts. Upon our request, the County Collector prepared a listing of liabilities. She was able to reconcile liabilities to the cash balance of her main general property tax account; however, a total of approximately \$6,700 was unidentified for various other accounts. In addition, an old general property tax bank account had a bank balance of approximately \$76,000 as of February 29, 2008, most of which was carried over from the prior County Collector. Much of the balance appears to be mailing commissions and accumulated interest income that had not been distributed by the prior County Collector.

The County Collector does not have current written agreements with the cities for which she performs property tax collection services or depository agreements for all banks in which funds are deposited. In addition, she maintains an excessive number of bank accounts. The County Clerk's account book with the County Collector's is not complete. The current County Collector's term of office began effective March 1, 2007. Many of these conditions were similarly noted in our prior audit report pertaining to the prior County Collector.

(over)

YELLOW SHEET

The general revenue property tax levy was not sufficiently reduced, resulting in excess property tax collections of approximately \$70,800 at December 31, 2007. The excess has accumulated over several years.

The 2007 and 2006 Special Road and Bridge Fund budgets did not adequately project the anticipated financial condition of the fund. In addition, a formal maintenance plan has not been prepared to document expected work on the county's roads and bridges.

Written minutes are not prepared for County Commission closed meetings. In addition, the County Commission has not developed a written policy for the use of cellular telephones or a formal plan for a vacant county owned building.

Bids were not always solicited nor documentation retained of bids solicited for purchases made by various county officials. In addition, the county loaned \$10,000 to a private organization for the purpose of providing start up costs to establish a Veterans Memorial Walkway on the courthouse grounds. The Missouri Constitution prohibits the loaning of public funds to private corporations. Also, supporting documentation was not sufficient for some disbursements.

The County Commission does not have a written policy regarding the use of county owned vehicles. In addition, the Sheriff Department's fuel billing statements are not adequately reconciled to vehicle expense logs and fuel receipts are not required to be submitted for fuel purchases. Also, vehicle mileage logs are not maintained for the two E-911 vehicles.

The County Treasurer does not prepare monthly bank reconciliations for the primary bank account. In addition, the County Treasurer did not prepare the June 30, 2007, semi-annual settlement and the 2007 annual settlement was not accurate. Also, the County Treasurer currently maintains three bank accounts representing General Revenue Fund monies that have had little or no activity since 2002 except interest earnings.

Also included in the report are recommendations related to the Prosecuting Attorney's accrued cost procedures, and the County Clerk's, Assessor's, and E-911 controls and procedures.

All reports are available on our Web site: www.auditor.mo.gov

BENTON COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Benton County

We have audited certain operations of Benton County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, have been engaged to audit the financial statements of Benton County for the two years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Benton County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Liang Xu
	Wayne T. Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BENTON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Sheriff's Accounting Controls and Procedures
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As of February 29, 2008, open items (liabilities) exceeded the Sheriff's cash balance by at least \$2,797. The shortage was allowed to occur as a result of numerous control weaknesses, including inadequate segregation of duties, untimely preparation of bank reconciliations, lack of monthly liabilities listings, and inaccurate and incomplete receipting, posting, depositing, and distribution procedures. In addition, procedures have not been established to follow-up on old outstanding checks and bonds, and monitoring procedures for accrued civil fees are not adequate. Finally, an old bank account maintained by the prior Sheriff has not had any activity since 2001.

- A. Accounting duties are not adequately segregated. Currently, the bookkeeper is primarily responsible for receiving (except bond monies as noted in part D), recording, and depositing all monies and for preparing all checks. There were no independent reviews of the work performed by this employee.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent reviews should be established.

- B. Formal bank reconciliations were not prepared timely for the Sheriff's bank account. The Sheriff indicated all bank reconciliations for the audit period were performed in January 2008. The reconciliations performed reflected a \$350 unreconciled difference between bank and checkbook register amounts, with this difference first being identified on the bank reconciliation performed for December 2006.

Formal bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

- C. Monthly listings of liabilities are not prepared and reconciled to cash balances. The bookkeeper maintains a listing of Benton County bonds received that have not been paid out; however, this listing was inaccurate and incomplete. The listing did not include all open bonds and included several bonds which had previously been paid out. In addition to bonds, additional items affected the overall liabilities amount. After discussions with the bookkeeper regarding

various liabilities affecting the sheriff's bank account, an updated listing was prepared as of February 29, 2008. A comparison of the list to the reconciled cash balance revealed that liabilities exceeded the reconciled cash balance by at least \$2,797 as identified in the chart below. However, the bookkeeper is continuing to investigate open bonds and this amount could fluctuate.

Reconciled bank balance	\$	23,449
Open bonds		(7,901)
February 2008 receipts turned over to the county treasury in March		(1,661)
Benton County Circuit Court civil fees (see D.1.)		(14,460)
Other monies deposited with no receipt slips (see D.1.)		(598)
Receipt slips not recorded or inaccurately recorded (see D.2.)		(51)
Stop payment checks not reissued (see H.)		(1,965)
Unidentified excess of open items over cash		<u>(3,187)</u>
Duplicate turnover to the county treasury (see D.3.)		390
Total excess of open items over cash	\$	<u><u>(2,797)</u></u>

Monthly reconciliations of liabilities to book and reconciled cash balances are necessary to ensure sufficient cash is available for the payment of all liabilities. Any unidentified differences should be investigated and resolved. Had monthly reconciliations been performed, the shortage and errors noted above may have been identified in a timely manner.

- D. Receipt slips were not issued for some monies received and duplicate receipt slips were issued for some monies, resulting in incomplete and inaccurate fee sheets (monthly reports). In addition, receipt slips are not posted to the monthly reports in a timely manner. The monthly report is used to determine the month-end turnover to the County Treasurer. Therefore, inaccuracies on the monthly report increase the likelihood that errors, loss, or misappropriation of funds will not be identified in a timely manner and result in inaccurate turnovers to the County Treasurer. Our review of receipt slips issued and monthly reports noted the following concerns:

1. Receipt slips were not issued for civil fees totaling \$14,460 received from the Benton County Circuit Court from August 2006 to February 2008. In addition, a comparison of receipt slips issued during April and May 2006 and February and March 2007 to deposits revealed an additional five checks totaling \$598 (deposit slips dated April 27, 2006, May 2, 2006, February 1, 2007, and March 30, 2007) for which receipt slips were not issued. While these monies totaling \$15,058 were deposited, they were not posted to the monthly reports and, as a result, were not turned over to the county treasury.

2. Two receipt slips issued in 2006 totaling \$31 (receipt slips 12410 and 13909) were not recorded on the monthly reports. In addition, one receipt slip issued in April 2006 for \$40 (receipt slip 12625) was inaccurately posted to the monthly report and was understated \$20. As a result of these errors, \$51 was not turned over to the county treasury.
3. Receipt slips totaling \$70 (receipt slips 14099 and 14199) were issued in 2007 as duplicates of previously receipted monies. In addition, one receipt slip totaling \$320 (receipt slip 12500) was included on both the February and March 2006 monthly reports resulting in a duplicate turnover to the county treasury. These errors resulted in an excess turnover to the county treasury of \$390.
4. The bookkeeper indicated she does not post receipt slips to the monthly report until month end.

As a result of the errors noted above, a net total of at least \$14,719 is due to the Sheriff Civil Fees Fund.

- E. Receipt slips issued are not reconciled to amounts deposited or bond monies collected after hours. In addition, deposit slips do not identify all individual receipts composing deposits.
1. Receipt slips issued are not reconciled to amounts deposited. In addition, although deposit slips identify individual checks, monies paid in cash are not identified by individual receipt slip and some receipt slips which indicated cash as the mode of payment did not agree with the amount of cash deposited. We noted some cash received the last week of December 2007 (\$500 with receipt slips ranging from 15267 through 15272) that was not on hand and could not be traced to any deposits made through March 26, 2008. This may have contributed to the shortage noted above.
 2. When bond monies are collected after hours, jailers issue a receipt slip for the monies from the same receipt book used by the bookkeeper during the day. The jailer makes a copy of the receipt slip, and provides the white copy of the receipt to the individual who paid. The yellow copy of the receipt remains in the receipt book. The copy of the receipt slip and monies received are then put in an envelope in a locked box. The next morning, the bookkeeper retrieves the copies of receipt slips and monies from the locked box to include with the next deposit. However, the bookkeeper indicated she does not reconcile the copies of receipt slips to monies in the lock box or to the duplicate copies of receipt slips issued that remain in the receipt book to ensure all receipt slips and monies are accounted for properly.

Receipt slips issued should be reconciled to bank deposits. The reconciliation of receipt slips to deposits should include agreeing the composition of receipt slips (i.e., cash, checks, and money orders) to the composition of deposits. In order to aid in the reconciliation of receipt slips to deposits, the deposit slips should indicate the individual receipt slips composing deposits, both cash and check. In addition, the numerical sequence of receipt slips should be accounted for properly.

F. A review of receipt slips issued during April and May 2006 and February and March 2007 noted the following additional concerns:

1. Three receipt slips issued totaling \$50 did not identify method of payment (i.e., cash, check or money order).
2. During May 2006, some receipt slips were not issued in numerical sequential order. In addition, a block of receipt slips numbered 12801 to 13400 was never issued due to misplaced books.
3. Some voided receipt slips were not properly retained. The bookkeeper stated that when receipt slips are voided, the original copy of the receipt slip is destroyed (shredded), and the person voiding the receipt slip writes void on the carbon copy retained in the receipt book. After this control issue was brought to her attention, the bookkeeper began retaining the original voided receipt slips.

To ensure all monies received are properly accounted for, receipt slips should be issued in sequential order and the method of payment identified. In addition, voided receipt slips should be properly defaced and retained.

G. Some receipts were not deposited in a timely manner. For example, nine deposits were made during April and May 2006, with an average total deposit of \$2,926. This included a deposit on April 11, 2006, totaling \$8,793 which included cash totaling \$8,585 collected from April 6, 2006, to April 10, 2006. Eleven deposits were made during February and March 2007, with an average total deposit of \$2,245. This included a deposit made on February 20, 2007, totaling \$4,445 which included cash totaling \$4,123 collected from February 9, 2007, to February 19, 2007.

To ensure all monies are properly accounted for and to adequately safeguard cash receipts, deposits should be made intact on a timely basis.

H. The Sheriff has not established procedures to routinely follow up on old outstanding checks. At January 28, 2008, six checks totaling \$1,965 were over one year old, with four of the checks payable to other governments. These old outstanding checks create additional and unnecessary record keeping

responsibilities. The bookkeeper stopped payment on these checks after we brought this to her attention. However, as of April 7, 2008, no further follow-up action had been taken.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

- I. Procedures have not been established to routinely investigate old bonds remaining in the Sheriff's bank account. In addition, bonds are not turned over to the Circuit Court as received, resulting in unnecessary record keeping by the Sheriff's Department.

1. The original open items listing prepared by the Sheriff's bookkeeper as of February 29, 2008, identified nine bonds dated prior to May 22, 2005, totaling \$2,250. When bonds are received by the Sheriff's Department, they are first identified as a Benton County or other county's bond and then deposited to the Sheriff's bank account. Other counties' bonds are paid to the appropriate political subdivisions; however, Benton County bonds are held by the Sheriff until called for by the Benton County Circuit Court (Circuit Court).

The bookkeeper indicated she had requested the Prosecuting Attorney to determine whether charges were filed and pending on these nine bonds. In a letter dated March 14, 2007, the Prosecuting Attorney responded that no charges would be filed on five of the nine bonds, and no information could be found on the other four bonds. Upon our request, the bookkeeper reviewed the status of these bonds and identified three of the nine bonds were paid out prior to March 14, 2007, and two of the bonds were paid out subsequent to February 29, 2008. The bonds paid out prior to March 14, 2007, are not included in the February 29, 2008, open bonds balance presented above in part C.

Procedures should be established to routinely investigate bonds remaining in the Sheriff's bank account over a specified period of time. If it is determined that charges will not be filed, the Sheriff's Department should refund the bonds. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

2. The Sheriff's Department collects all Benton County bond monies and holds these monies until they are called for by the Circuit Court. The Circuit Court does not call for bond monies until a case has been filed by

the Prosecuting Attorney and established in the Justice Information System (JIS) maintained by the Circuit Court. The Circuit Clerk stated these bonds are not called for until this time because no case has been established in the JIS. However, the JIS is capable of receipting a "no case bond" and tracking that receipt as a liability until paid out. The Sheriff's Department does not have a system in place to adequately track open bonds.

The Sheriff should work with the Circuit Court to turn bond monies over as received or at least on a monthly basis. This would reduce unnecessary record keeping by the Sheriff's Department and more accurately track and identify open bonds.

- J. Monitoring procedures related to accrued civil fees are not adequate. The Sheriff's Department receives fees for serving civil papers. A computerized record is created for each person that papers are served on, including amounts charged and received, and the balance due. The bookkeeper indicated she sent bills in January of 2007 to each party that owed the Sheriff's Department civil mileage fees notifying them of the total amount due; however, additional collection efforts have not been performed. An account balance report reflected accrued civil fees due of approximately \$16,000 as of March 20, 2008, which included some charges from as far back as January 2006.

Failure to adequately monitor and pursue collection of accrued costs results in lost revenue to the county. To ensure civil fees received by the Sheriff's Department are maximized, the fees should be billed in a timely manner and procedures implemented to pursue delinquent amounts due.

- K. An old bank account, which was maintained by the prior Sheriff, had a balance of \$1,535 at December 31, 2007. There has been no activity in this account since 2001. No attempt has been made by the Sheriff to identify or properly dispose of the monies in this account. The Sheriff should attempt to identify the monies held in the old bank account. If the monies cannot be identified, the Sheriff should consult legal counsel to determine the proper disposition of the monies and close the account.

Conditions similar to A, C, and G were noted in the prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate duties or establish procedures for supervisory review.
- B. Perform monthly bank reconciliations and investigate any unreconciled differences.

- C. Work with law enforcement and the Prosecuting Attorney to resolve the shortage and take the necessary action to recover any missing funds. In addition, the Sheriff should ensure a monthly listing of liabilities is prepared and reconciled to the cash balance. In the future, differences should be investigated and resolved on a timely basis.
- D. Issue receipt slips for all monies received. All receipt slips should be accurately recorded and posted to the monthly report in a timely manner. The composition of receipt slips should be reconciled to bank deposits and any differences resolved in a timely manner. In addition, monies currently in the bank account that are due to the Sheriff's Civil Fees Fund, as noted above, should be turned over to the County Treasurer.
- E. Reconcile the composition of receipt slips to deposits. In addition, bond monies received after hours should be reconciled to receipt slips issued, and the numerical sequence of the receipt slips should be accounted for properly.
- F.1. Identify the method of payment on all receipt slips.
 - 2. Issue receipt slips in sequential order.
 - 3. Properly deface and retain all voided receipt slips.
- G. Deposit all monies intact in a timely manner.
- H. Establish procedures to investigate old outstanding checks. If payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- I.1. Establish procedures to review old bonds. If it is determined that charges will not be filed, the Sheriff should determine the appropriate disposition of the open bonds.
 - 2. And the Circuit Clerk work together to ensure bond monies are turned over to the Circuit Clerk's office as received.
- J. Establish procedures to bill civil fees in a timely manner and periodically pursue delinquent amounts due.
- K. Attempt to identify the monies held in the old bank account. If monies cannot be identified, the Sheriff should consult legal counsel as to the proper disposition of the monies.

AUDITEE'S RESPONSE

The Sheriff indicated many of the findings were due in large part to the previous secretary leaving prior to him taking office. This created a problem in advising of the proper procedures for office staff to follow for certain daily and monthly functions. The Sheriff also indicated:

- A. As of January 1, 2008, a court clerk has been reviewing transactions performed by the bookkeeper and preparing a short report to express her findings. Hard copies of this report are then submitted to the Sheriff for his records and review. The report includes the check of bank reconciliations, the monthly fee sheet, bond sheets, and some civil account functions.*
- B. Bank reconciliations are performed monthly and outstanding checks are investigated. The department shows no unreconciled checks as of January 1, 2008. The checkbook has balanced to the penny with the exception of the \$350 which has still not been identified.*
- C. He has ordered that an internal investigation be performed by the Missouri State Highway Patrol. In addition to that, a monthly open items listing is prepared by the bookkeeper and reviewed. It is comprised of only the bonds that have not been called for by the Circuit Clerk's Office, as the Sheriff's Department does not pay bills directly from his office.*
- D&E. The fee sheet is updated on a daily basis. Any receipts written on that particular day are posted to the fee sheet at the end of the day. Bank deposits are prepared daily notating the receipt numbers included in the cash and check deposits. This allows proper tracking of cash monies deposited, and ensures that all cash monies are accounted for and being deposited. A check has not yet been drafted for the County Treasurer in reference to the civil fees not turned over from August 2006 to February 2008 as the Sheriff was waiting for a recommendation.*
- F.1. This has been brought to the attention of anyone accepting monies, and is being checked as the daily deposits are reconciled to the receipt book.*
- 2. Each receipt book is marked with the dates that receipts have been written for on the front of the book. It has been brought to the attention of anyone receiving monies to make sure that the next receipt written falls in sequential order.*
- 3. Upon this being brought to the Sheriff's attention, all receipts are attached to the yellow copy and voided correctly.*
- G. Deposits are prepared daily. Receipts placed in the safe with monies are reconciled with the receipts in the receipt book to ensure that all cash monies are being deposited and in a timely manner.*

H. *Outstanding checks have been investigated. Those checks that were outstanding and were too old to be paid out were stopped. The agencies or governments that the others were written to were contacted in an effort to try to establish if they were ever received or cashed. The Sheriff is still awaiting a response from a few agencies.*

I.1. *Some cases may take up to a year to establish a case number and the bond be called for. Old bonds have been investigated and payees have been notified of available funds that can be collected by coming to the Benton County Sheriff's Department with proper ID. The Sheriff's Department is still awaiting responses from some of the payees that were contacted. Many of the outstanding bonds that were placed on the original open items listing have since been taken off due to payment in past years. Failure to remove these paid bonds from the open items listing resulted in showing outstanding debt to payees. An updated listing has been prepared. Bonds that are still outstanding are being investigated further. Bonds that are not collected by payees will be turned over to the Benton County Treasurer to be submitted to the proper accounts following applicable statutes.*

2. *He and the bookkeeper have visited with the Circuit Clerk in reference to taking over bond monies as they are received. The Circuit Clerk's office is not interested in pursuing this course of action at this time and requests that the Sheriff's Office continue performing turn over as they have in the past.*

The Circuit Clerk indicated she has reviewed with the Circuit Judge and the Associate Circuit Judge the finding and recommendation, regarding the Sheriff's audit report, as to the comment pertaining to the Circuit Court. While the court's JIS computer system is capable of tracking bonds filed with the court, it is the responsibility of the Sheriff to maintain his own records accurately. As indicated in the report, the court only accepts cash bonds from the Sheriff after the Prosecuting Attorney files a case. If the court were to accept cash bonds without a case having been filed, this in turn would be unnecessary record keeping for the Circuit Court. Therefore the Circuit Court's policy for receipting cash bonds filed with the court will remain the same at this time. The Circuit Clerk will, however, discuss the recommendation with the Sheriff.

J. *Old accounts have since been re-billed. Efforts to collect on outstanding accounts are being followed up on. In the future, the bookkeeper will attempt to collect on outstanding accounts at the end of every month.*

K. *The auction account has since been investigated. These were funds from an old seizure of property. The account was set up by a previous Sheriff. The Sheriff's Department has submitted a letter to the Prosecuting Attorney requesting the release of these monies so that the account may be dissolved. Discussion of giving these monies to the local D.A.R.E Fund for drug education would be the Sheriff's preference for dissolution of this account. The Sheriff is awaiting a response from the Prosecuting Attorney.*

2.**County Collector's Controls and Settlements**

Numerous control weaknesses were noted during our review of the County Collector's procedures. The County Collector does not prepare bank reconciliations for two on-line bank accounts and does not prepare monthly listings of liabilities for any accounts. In addition, an account carried over from the prior County Collector has a balance of approximately \$76,000, which includes accumulated interest, undistributed mailing commissions, and other unidentified amounts. The method of payment is not indicated on some tax receipts and the composition of receipts is not reconciled to the composition of deposits. The County Collector does not have current written agreements with the cities for which she performs property tax collection services and does not distribute some commissions in accordance with state law. The County Collector does not have written depository agreements for all banks in which County Collector funds are deposited and an excessive number of bank accounts is maintained. Errors were noted on the annual settlement filed for the year ended February 28, 2007. Also, the County Clerk's account book with the County Collector is not complete and cannot be used to adequately verify the County Collector's annual settlement. The current County Collector's term of office began effective March 1, 2007.

- A. The County Collector does not prepare formal bank reconciliations for the two on-line tax payment bank accounts maintained. The combined bank balance in the two accounts at February 29, 2008, totaled approximately \$10,600. The first on-line account was opened by the prior County Collector and utilized by the current County Collector until August 2007 when she opened up a second on-line payment account. The County Collector had planned to use the second account for all on-line tax payments; however, the County Collector's on-line payment contractor has continued to deposit some payments into the first account. The County Collector obtains the tax statements paid on-line each day and records these collections in her daily record book of collections. However, she is unable to reconcile each day's collections recorded in her daily record book to the amount recorded by the bank as deposited. The County Collector stated this is because the on-line payment contractor may deposit monies to the County Collector's bank account on a different day than when the tax statement was paid on-line. The County Collector indicated she is working with the on-line payment contractor to resolve these depositing and reconciling issues.

Formal bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

- B. Monthly listings of liabilities are not prepared and reconciled to cash balances. In addition, the County Collector has not identified liabilities and made appropriate distributions of funds from an old general property tax account carried over from the prior County Collector.

1. Monthly listings of liabilities are not prepared and reconciled to cash balances. We requested the County Collector prepare a liabilities listing as of February 29, 2008. The County Collector was able to reconcile liabilities to the cash balance of her main general property tax account. However, of cash balances totaling approximately \$11,800 for the other general property tax, credit card, protest, and tax sales redemption accounts, a total of approximately \$6,700 was unidentified. The County Collector indicated the unidentified differences were most likely accumulated interest earned prior to March 2006 which was not distributed; however, she did not calculate accumulated interest to determine if this was the case. In addition, the County Collector did not prepare a listing of liabilities for the old general property tax account or her two on-line tax payment accounts.
2. The old general property tax bank account was used by the current County Collector until July 2007 when a new general property tax bank account was opened. The current County Collector indicated she opened a new bank account because she was unable to identify the liabilities comprising the old bank account's balance. There has been no activity in this account, other than interest earnings, since July 2007.

The bank balance of this account as of February 29, 2008, was approximately \$76,000, most of which was carried over from the prior County Collector. It appears mailing commissions of approximately \$33,000 reflected on the December 2005 monthly statement of collections, may not have been distributed and are included in the bank balance. Although some of the mailing commissions would be attributed to the prior County Collector's other bank accounts, the distributions of these monies would primarily be from this account. In addition, the current County Collector indicated her review of the prior County Collector's bank accounts revealed that interest had not been distributed in several years. Although the current County Collector distributed interest earned during the year ended February 28, 2007, accumulated interest in this account of approximately \$35,700 was undistributed as of February 29, 2008. Further, the prior audit report identified overpayments of approximately \$8,000 which were due to various taxpayers that should be investigated to determine whether proper payout of the liabilities occurred. Also, the current County Collector indicated this account may include old outstanding checks.

The old general property tax account's total liabilities should be identified and distributed. The County Collector should stop payment on old outstanding checks in this account and if the payees cannot be located, amounts should be disbursed in accordance with state law. Any

unidentified balances or shortages should be resolved and the account closed.

Monthly reconciliations of liabilities to reconciled cash balances are necessary to ensure sufficient cash is available for the payment of all liabilities. Any unidentified differences should be investigated and resolved. In addition, interest earnings should be distributed at least annually to county funds and taxing authorities.

- C. The method of payment is not indicated on some tax receipts and the composition of receipts is not reconciled to the composition of deposits. The County Collector stated the method of payment is only indicated on tax receipts paid by walk-in tax payers; however, we noted one tax receipt paid in cash which was not identified as such. She also indicated the method of payment is not indicated on tax receipts paid by mail.

To ensure all monies are properly accounted for and deposited, the method of payment should be indicated on all tax receipts and the composition of receipts should be reconciled to the composition of bank deposits.

- D. The County Collector does not have current written agreements for city property tax collection services performed. In addition, the County Collector does not distribute commissions paid by taxpayers on delinquent city tax payments for the city of Warsaw in accordance with state law. The County Collector retained city commissions totaling \$5,399 for the year ended February 29, 2008.

1. The County Collector does not have current written agreements with the cities for property tax collection services performed. The County Collector collects city property taxes for the cities of Cole Camp, Ionia, Lincoln, and Warsaw. The most recent agreements were entered into by the prior County Collector in 1986 (Cole Camp), 1989 (Ionia), and 2006 (Lincoln). The prior County Collector had not entered into a written agreement with Warsaw.

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform services for cities they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing.

2. The County Collector does not distribute commissions paid by Warsaw taxpayers on delinquent city tax payments in accordance with state law. A seven percent additional commission paid by the taxpayer is applied to delinquent city tax collections. Four-sevenths, one-seventh, and two-sevenths, of the additional commission is distributed to the County Collector, Tax Maintenance Fund, and County Employee's Retirement Fund (CERF), respectively.

Section 52.290, RSMo, provides the seven percent additional delinquent tax commission shall be distributed as follows: two-sevenths into the county General Revenue Fund, two-sevenths into the Tax Maintenance Fund, and three-sevenths into the CERF.

Current written contracts, signed by the city, the County Collector, and the County Commission should be prepared. The contracts with the cities should clearly define the amount of additional commissions to be assessed, and address the distribution of all commissions.

- E. The County Collector does not have depository agreements with any of the four banks in which she maintains bank accounts. Proposals for bank services for monies in the custody of the County Treasurer are solicited every four years; however, the County Collector's funds are not included in the solicitation.

The County Collector should solicit proposals for bank services and enter into a depository agreement or ensure her office is included in the county's depository agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest to be paid on checking accounts, and should include collateral securities required to be pledged.

- F. As of February 29, 2008, the County Collector maintained nine checking accounts. These included one inactive general property tax account, two current general property tax accounts, one old on-line payment account, one current on-line payment account, one credit card payment account, one tax sale redemption account, one protest account, and the Tax Maintenance Fund account. An excessive number of accounts results in additional record keeping, makes it more difficult to ensure all monies are properly accounted for, and increases the likelihood that errors will occur. Overall efficiency could be improved by reducing the number of accounts.
- G. The County Collector's annual settlement for the year ended February 28, 2007, was inaccurate. In addition, the County Clerk's account book is incomplete, and the County Collector's annual settlement is not reviewed for accuracy.
 - 1. Total distributions exceeded collections by approximately \$34,000 on the annual settlement for the year ended February 28, 2007. Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.

Collections agreed to distributions reported on the annual settlement for the year ended February 29, 2008.

2. The County Clerk's account book does not include tax charges or additions and abatements and cannot be used to adequately verify the County Collector's annual settlement. In addition, the County Clerk and County Commission indicated they do not review the County Collector's annual settlement for accuracy. An account book should summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts. A complete account book would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlement. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Conditions similar to A, B, D.1 and G were noted in the prior report.

WE RECOMMEND the County Collector:

- A. Continue to work with the on-line payment contractor to resolve the depositing and reconciling issues. Once resolved, the County Collector should perform monthly bank reconciliations and investigate any unreconciled differences.
- B. Prepare monthly listings of liabilities and reconcile to cash balances. In addition, interest earned on bank deposits should be distributed in a timely manner. The old general property tax account liabilities should be identified and distributed and the account closed. Any unidentified balances or shortages noted for any of the accounts should be investigated and resolved.
- C. Indicate the method of payment on all tax receipts and reconcile the composition of tax receipts to the composition of deposits. Any differences should be investigated and resolved.
- D.1. Work with the County Commission to obtain current written agreements with the cities for tax collections.
2. Distribute delinquent tax commissions in accordance with state law, in lieu of current written agreements.
- E. Solicit proposals for bank services and enter into a depository agreement or ensure her office is included in the county's depository agreement.
- F. Reduce the number of bank accounts.

- G. File complete and accurate annual settlements. In addition, the County Clerk should maintain a complete account book with the County Collector, and the County Commission should use the account book to verify the County Collector's annual settlement.

AUDITEE'S RESPONSE

The County Collector indicated:

- A. *She has worked with the on-line contractor and seems to have resolved the problems they were previously having with deposits not matching their records. The bank reconciliations are now being performed monthly and no reconciling issues have occurred.*
- B. *She has started doing monthly reconciliations in the manner suggested and listing the liabilities on each account. On the old account which had the \$76,000 balance, she has gone back to 2003 and found where some mailing fees were not distributed, which she has now corrected. The County Collector is working on distributing 2004 and 2005 interest and has distributed 2006 interest. All old outstanding checks have been found and are being reissued in order to close out this account.*
- C. *They do mark the method of payment on tax receipts and will continue to do so. Payments by mail are worked separately and are rarely ever received in cash. If it is a credit card, it is marked as such.*
- D. *She has contacted the cities and County Commissioners concerning new city contracts. The old contract read "and subsequent collector", which she thought should be sufficient.*
- E. *She has contacted the banks on depository agreements.*
- F. *She plans to close out the old accounts later this month.*
- G. *She has found where she made the error on the year ended February 2007 annual settlement. She was never told it was wrong at the time. She has done the year ended February 2008 settlement correctly.*

The County Clerk indicated she is now using an excel spreadsheet to maintain a complete account book with the County Collector, and the County Commission shall use the account book to verify the County Collector's annual settlement.

3. County Procedures

The county did not reduce its general revenue property tax levy sufficiently resulting in excess property tax collections. In addition, the Special Road and Bridge Fund budgets did not adequately project the anticipated financial condition of the fund, and a formal

maintenance plan has not been prepared to document expected work on the county's roads and bridges.

- A. The general revenue property tax levy was not sufficiently reduced, resulting in excess property tax collections of approximately \$70,800 at December 31, 2007. While the county's calculations properly identify each year's excess property tax collections from prior years, the county has not reduced its property tax levy further to account for the excess. The excess has accumulated over several years. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Benton County voters enacted a one-half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected.
- B. The 2007 and 2006 Special Road and Bridge Fund budgets did not adequately project the anticipated financial condition of the fund. Actual ending cash balances exceeded anticipated ending cash balances by approximately \$640,000 and \$308,000 in 2007 and 2006, respectively. This resulted primarily because appropriated disbursements were significantly overstated.

For the budget documents to be of maximum assistance to the county as a planning tool and to adequately inform county residents of the current financial position and operations, the budgets should reflect reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

- C. A formal maintenance plan has not been prepared to document expected work on the county's roads and bridges. During each of the years ended December 31, 2007 and 2006, Special Road and Bridge Fund disbursements totaled approximately \$1.9 million and \$1.2 million, respectively (excluding distributions to special road districts and administrative transfers). A maintenance plan should be prepared in conjunction with the annual budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from county residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in repair and maintenance throughout the year.

WE RECOMMEND the County Commission:

- A. Develop a plan to correct the accumulation of prior years' excess sales tax collections.

- B. Ensure budget estimates for revenues and expenditures are based on actual expected occurrences.
- C. Prepare a formal maintenance plan for county roads and bridges at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of the roads and bridges to better enable them to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

- A. *The County Clerk and County Commissioners are currently reviewing the general revenue property tax levy for sales tax roll back. Adjustments will be made to correct the accumulation of prior year's excess tax collections.*
- B. *The County Commission indicated funds that were not spent in 2007 and 2006 were due to either weather issues and/or suppliers not being able to produce materials to complete projects.*
- C. *The County Commission indicated that in the past, a report of projects to be done has been posted on the bulletin board in the County Commission Office. However, the current Presiding Commissioner did not realize that it was his responsibility to type up and post the report. In the future, the County Commission will have the road commissioners present a schedule of work for the year and it will be posted.*

4.	Minutes, Cellular Telephone Policy, and Building Plan
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Written minutes are not prepared for closed meetings. In addition, the County Commission has not developed a written policy for the use of county cellular telephones or formal plans for a vacant county owned building.

- A. Written minutes are not prepared for County Commission closed meetings. Written minutes for closed meetings would result in a better record of commission transactions, proceedings, and decisions, and are necessary to demonstrate compliance with state law.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes to be maintained for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

- B. The County Commission has not developed a written policy regarding cellular telephone usage. The Road and Bridge and Sheriff Departments, Victim's Advocate, Public Administrator, and Emergency Management Director utilize cellular telephones. The county expended approximately \$6,900 and \$6,600 for cellular telephone usage in 2007 and 2006, respectively. A written policy regarding county cellular telephone usage is necessary to prevent misuse of county assets and to ensure there is no misunderstanding within the county regarding county cellular telephone usage. This policy should provide criteria for determining which employees should be assigned a cellular telephone and proper use of the telephones. In addition, the policy should establish required billing review procedures.
- C. The County Commission has not developed formal plans for a county owned building which has remained unoccupied since its purchase. In 2003, the county purchased a building across the street from the courthouse for \$171,000 for the purpose of relocating some county offices from the courthouse. According to an Associate County Commissioner, the county hired an engineering firm in 2004 to provide an estimate of the cost to remodel the building, which was approximately double what the county had expected. As a result, the building has not been utilized by the county as planned and has remained vacant since it was purchased.

As noted in our review of the County Commission meeting minutes, in 2007 the county advertised for sealed bids for sale of the property. One bid of \$40,000 was received and reviewed in March 2007, considered too low, and rejected by the County Commission. Once rejected, the County Commission advertised for realtor services to sell the property. The Presiding Commissioner stated that if the property does not sell soon, they will consider other options; however, no formal plans have been prepared or finalized. The County Commission should develop formal plans for the sale, including negotiations in asking price, or use of this property, in the event the building does not sell. In addition, cost estimates associated with a major county purchase such as renovations and improvements should be determined prior to the purchase.

WE RECOMMEND the County Commission:

- A. Ensure minutes are maintained for all closed meetings.
- B. Develop a written policy regarding cellular telephone usage and establish billing statement review procedures.
- C. Develop a formal plan for the sale or use of the vacant building.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *The County Commission did not realize that minutes needed to be kept for closed meetings unless a decision or vote had been made. The County Commission now has minutes of closed meetings on file.*
- B. *The county is in the process of establishing a new employee handbook and cell phones are addressed in the new handbook.*
- C. *At the time the Presiding Commissioner took office there was a plan to fix up the county owned building across the street and move offices into it, but opposition had come up and the preceding Presiding Commissioner left it up to the new County Commission. At that time, the County Commission tried to sell it and add onto the Courthouse, so the County Commission has had a plan but it has not been put in writing. In the future, the County Commission will be determining what they plan on doing with the building and will put the plan in writing.*

5. County Disbursements

Bids were not always solicited or documentation retained of bids solicited in accordance with state law. In addition, improper disbursements were noted including a loan to a not-for profit organization. Also, supporting documentation related to some disbursements was not sufficient.

- A. Bids were not always solicited or documentation retained of bids solicited for purchases made by various county officials. In addition, circumstances resulting in sole source procurements were not adequately documented. Examples of items purchased without bids or for which bid documentation was not maintained included the following:
 - The County Commission entered into a lease purchase agreement for five copy machines, with an annual cost of \$15,792 per year. Bids were not solicited for these copy machines.
 - The E-911 and Sheriff Departments purchased an automatic vehicle location (AVL) program and related radio equipment for a total cost of approximately \$53,000. The E-911 Director provided quotes from three vendors for the AVL program; however, he was unable to provide the pricing page for one of the quotes and documentation that the purchase was advertised. In addition, bids were not solicited for the purchase of the radio equipment. The E-911 Director stated only one company was able to provide the radio equipment compatible with the AVL program purchased and the E-911 tower; however, sole source was not documented.
 - The Presiding Commissioner stated the county solicited Requests for Qualifications (RFQ) from four engineering firms for architectural services of a new entrance porch for the courthouse. However,

documentation of the solicitation of the RFQ's and reasons the engineering firm was chosen were not maintained. The cost of the services totaled approximately \$11,000.

- The County Clerk purchased voting equipment totaling approximately \$67,000. She stated the bid of this equipment was advertised; however, documentation was not retained.
- Various officials purchased new computer equipment totaling approximately \$17,000, including installation and repair. According to the County Commission, no bids were solicited for these purchases because the company used is the only local company that can provide all of the county's computer service needs and the county wanted to use a local company.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. Furthermore, the county should document justification for awarding bids or reasons for sole source procurement, as well as retain bid documentation. Finally while local preference may be a consideration in the bid evaluation process, other factors such as cost and service, should also be evaluated.

Section 50.660, RSMo, requires the advertisement of bids for all purchases of \$6,000 or more (\$4,500 or more prior to August 28, 2007) and bidding on any purchase of \$4,500 or more made from any one person, firm, or corporation during any period of 90 days.

A similar condition was noted in the prior report.

- B. The county loaned a total of \$10,000 to a private organization in May 2005 and September 2006 for the purpose of providing start up costs to establish a Veterans Memorial Walkway located on the courthouse grounds. In addition, although two written loan agreements were entered into, the agreements were not adequate. The first \$5,000 loan agreement did not identify a specific repayment date, repayment amount, or interest rate to be paid on the loan. The second loan agreement stated the repayment would be by mutual agreement by the county and the private organization when the project began to realize a profit. The organization was responsible for all aspects of the project; however, due to problems with the construction of the project, the county took over the project in 2006. As of April 7, 2008, the county had not received any repayment on the loans.

Although the County Commission may have believed loaning the money to the private corporation was in the best interest of the county, providing money in

advance may create a situation where it is difficult or impossible to recover the amounts loaned. In addition, Article VI, Sections 23 and 25 of the Missouri Constitution, prohibits the loaning or granting of public funds to private corporations.

- C. The county paid \$1,181 and \$715 for employee recognition dinners in December 2007 and 2006, respectively. The costs included meals for one guest per employee. Such disbursements do not appear necessary for the operation of the county and do not appear to be a prudent use of public monies. County residents have placed a fiduciary trust in their public officials to spend county revenues in a prudent and necessary manner.
- D. Supporting documentation related to some disbursements was insufficient. The following examples were noted:
 - The county purchased land costing approximately \$8,900 for the purpose of Road Department storage without obtaining a documented appraisal on the property or determining the assessed valuation of the land from the County Assessor. The Northern Associate County Commissioner indicated a realtor was consulted regarding the fair market value of the land; however, no documentation was retained. Good business practice requires that real estate purchases be formally and independently appraised to ensure a reasonable price is paid.
 - Invoices provided to the county for brickwork performed on the Veteran's Memorial totaling approximately \$23,000 and budget preparation assistance totaling \$1,500 did not identify what comprised the total amount billed.
 - Four of eight credit card receipts reviewed did not include documented approval by the respective official.

To ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all payments to vendors.

WE RECOMMEND the County Commission:

- A. Ensure bids are solicited in accordance with state law. Documentation of bids solicited, including advertisements, and justification for bid awards should be retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Discontinue loans of public funds.
- C. Ensure all disbursements are reasonable, necessary, and a prudent use of public funds.

- D. Ensure adequate supporting documentation is obtained for all payments to vendors.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *The Presiding Commissioner did solicit RFQ's for the new porch, but did not maintain the proper records. The County Commission has established a new procedure check list to help maintain this record in the future.*
- B. *If the County Commission would not have loaned the money to the Veterans Memorial Walkway, they would still have a mess on the courthouse lawn. At the time, the County Commission felt it was the only way to fix the problem. The Veterans have formed a new committee and the County Commission will be writing a new contract where the county will be reimbursed in the future for every brick purchased. The County Commission indicated they have discontinued loans of public funds.*
- C. *This dinner is an employee appreciation dinner that the County Commission and every other organization around do for its employees. The County Commission hands out service awards at this dinner and recognizes other accomplishments by elected officials or employees. The County Commission feels if the employees had to pay for the spouse's dinner, there would be no participation from the employees.*
- D. *The Northern Associate County Commissioner used a retired real estate agent that works in a bank and discussed this piece of property with him and the value of it and the banker informed him that it was well worth the value that was asked. The Associate County Commissioner did not document this conversation. The County Commission has now adopted the policy of documenting all business which would include bids solicited, advertisements and justification for bid awards. The County Commission is also ensuring all expenditures are reasonable and necessary and that adequate supporting documentation is obtained for all payments to vendors.*

6. County Vehicles

The County Commission does not have a written policy regarding the use of county owned vehicles. In addition, controls and monitoring of the Sheriff Department's vehicle expense logs and fuel purchases are in need of improvement. Controls of E-911 vehicle usage are also in need of improvement.

- A. The County Commission does not have a written policy regarding the use of county owned vehicles. The county owns three vehicles, exclusive of Sheriff's Department and E-911 vehicles. These vehicles are available for use by any county employee; however, the Presiding Commissioner stated county employees generally use their personal vehicles for county travel.

Our review of mileage logs maintained for these three vehicles noted the Assessor's employees primarily used two of the vehicles; however, the Assessor always used his personal vehicle even when a county owned vehicle was available. The Presiding Commissioner stated the third vehicle is mainly used by the County Commission and mileage logs were completed; however, the mileage logs could not be located for the time period from May 2006 through December 2007. Mileage reimbursements totaling approximately \$15,000 and \$14,000 were made to the County Commissioners and Assessor during the years ended December 31, 2007 and 2006, respectively.

A formal written county vehicle policy is needed to inform county officials and employees of the proper use of vehicles, outline documentation requirements, and address the use of personal vehicles when a county vehicle is available. In addition, vehicle mileage logs are necessary to document appropriate use of the vehicles and support fuel charges and should be properly completed and retained. Finally, the County Commission should evaluate the cost effectiveness of retaining these vehicles.

- B. The Sheriff Department's fuel billing statements are not adequately reconciled with the vehicle expense logs, and fuel receipts are not required to be submitted for fuel purchases. In addition, the vehicle expense logs are not always accurately completed. The budgets reflect actual fuel costs for the Sheriff's Department of approximately \$71,000 and \$62,000 in 2007 and 2006, respectively. As of May 2007, twenty-two vehicles were assigned to the Sheriff's Department.

Sheriff Department deputies purchase gasoline for county owned vehicles using fuel keys assigned to them. When fuel is purchased for these vehicles, the deputies document the date, mileage of the vehicle, and number of gallons purchased on the vehicle expense logs. The deputies also have the option to print a receipt; however, receipts are not required to be printed and submitted to the Sheriff's office. The county receives a monthly billing statement for these fuel purchases. However, there is no independent reconciliation of the logs to monthly fuel billing statements, and the gas purchases and mileage amounts recorded on the logs are not reviewed for accuracy or reasonableness.

Our review of the May 2007 fuel billing statement and corresponding vehicle expense logs noted several instances where fuel purchases billed were not recorded on the logs. We also noted multiple instances where dates and amounts of fuel purchases did not agree between the vehicle expense logs and billing statements. Accurate vehicle expense logs are necessary to document appropriate use of the vehicles and support fuel charges. To ensure the validity and propriety of amounts billed and mileage driven, fuel receipts should be printed and reconciled to the vehicle expense logs and monthly billing statements. In addition, the vehicle expense logs should be reviewed for reasonableness.

- C. Vehicle mileage logs are not maintained for the two E-911 vehicles. The budgets reflect annual actual vehicle expenses of approximately \$5,300 and \$7,000 in 2007 and 2006, respectively. Vehicle logs are necessary to document appropriate use of the vehicle and support fuel charges. Vehicle logs should include the date, vehicle operator, purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by the E-911 Director to ensure vehicles are being properly utilized.

WE RECOMMEND:

- A. The County Commission establish a written policy regarding the appropriate use of county vehicles. The policy should address allowable and unallowable use of vehicles and the records required to account for such use. In addition, the County Commission should evaluate the cost effectiveness of retaining the vehicles.
- B. The Sheriff ensure accurate vehicle expense logs are maintained for Sheriff Department vehicles, and fuel receipts are printed and submitted with the logs. In addition, the logs should be reviewed for accuracy and reasonableness and reconciled to billing statements.
- C. The County Commission and E-911 Director ensure vehicle logs are maintained for all county vehicles. In addition, the logs should be reviewed for accuracy and reasonableness.

AUDITEE'S RESPONSE

- A-C. *The County Commission indicated these issues will be addressed in the new employee handbook.*
- B. *The Sheriff indicated that as of April 1, 2008, all deputies are required to print receipts with every gas purchase. These receipts are attached to the mileage log submitted by the deputy at the end of every month to be reviewed by the bookkeeper and reconciled to the monthly billing statement from the company providing gas services.*
- C. *The E-911 Director indicated he will begin maintaining vehicle logs.*

7. County Treasurer's Accounting Controls and Procedures

The County Treasurer did not prepare complete and accurate bank reconciliations and settlements or maintain all county monies in the depository bank.

- A. Monthly bank reconciliations have not been properly prepared or documented for the primary bank account. The County Treasurer indicated he reviews the bank statements and compares receipts to bank statement deposits. An employee in the

County Clerk's office prepares a monthly listing of outstanding checks. However, reconciliations of the total bank balances to the total fund balances are not performed. Complete and properly documented reconciliations between the bank balances and the fund ledger balances are necessary to ensure all monies have been properly recorded and accounted for.

- B. The County Treasurer did not prepare the June 30, 2007, semi-annual settlement, and the 2007 annual settlement was not accurate. The County Treasurer stated his computer system crashed in June 2007 resulting in lost data for the first six months of the calendar year; therefore, he did not complete the semi-annual settlement at that time. The County Treasurer did prepare an annual settlement for 2007; however, it did not include receipts and disbursements of the General Revenue Fund for the first six months of the year. Although the electronic data was no longer available, the County Treasurer retains copies of monthly reports that could have been used to obtain the receipts and disbursements for the first six months of 2007. In addition, the County Treasurer included the July 1, 2007, beginning General Revenue Fund cash balance as a July 2007 receipt. As a result of these errors and omissions, General Revenue Fund receipts and disbursements on the 2007 annual settlement were understated by approximately \$947,000, as compared to the county's 2008 budget.

Section 54.150, RSMo, requires the County Treasurer to settle accounts with the County Commission semiannually. In addition, the County Treasurer should prepare complete and accurate semi-annual settlements which are reconciled to the county's budget to ensure all county funds are properly accounted for and recorded.

- C. The County Treasurer currently maintains three bank accounts representing General Revenue Fund monies which have had little or no activity since 2002 except interest earnings. The combined balance of the three bank accounts at December 31, 2007, totaled \$134,309. In addition, two of these bank accounts, totaling \$97,130, or 73 percent of the total combined balance of the three accounts are not in the county's depository bank and earn a lower interest rate than the monies in the depository bank.

An excessive number of bank accounts results in unnecessary record keeping and increases the likelihood that errors will occur when recording transactions. In addition, county revenues are not maximized when monies are maintained in banks that provide lower interest rates than the depository bank. To improve efficiency and ensure the county is receiving the best return possible on its revenues, the account balances should be consolidated and maintained in the county's depository bank.

Conditions similar to A and B were noted in the prior report.

WE RECOMMEND the County Treasurer:

- A. Prepare and document monthly bank reconciliations.
- B. Prepare complete and accurate semi-annual settlements.
- C. Consolidate the three General Revenue Fund bank account balances into the main depository bank account and close the accounts.

AUDITEE'S RESPONSE

The County Treasurer indicated:

- A. *He does do monthly reconciliations of all accounts other than the main account. The main account has its deposits and checks reconciled between his office and the County Clerk's office and outstanding checks are tracked monthly. This was the procedure used when he assumed the office. The County Treasurer is exploring a new software program that will also allow for monthly reconciliation of the main account.*
- B. *His office did suffer a total loss of data on the office's computer due to failure of the hard drive and a functional problem on the back-up system, although paper back-up records were maintained. This made preparing a semi-annual settlement extremely difficult for that year. There was a mistake made in the 2007 annual settlement due to the above mentioned computer problems and this was corrected. There were no funds missing and in all previous years semi-annual and annual settlements have been filed in a timely manner. There has now been a secured back-up system installed that stores all data off premises nightly.*
- C. *The two bank accounts held in other banks have been in existence for an extended period of time. These funds have been kept there so as to reinvest some of the tax money that is collected from these communities back into them. These accounts have been discussed with the county commissioners in the past and it was decided to leave them as they were. The only time that these accounts are a substantial percentage of the total balance is at the end of the year.*

8.	Prosecuting Attorney's Accrued Costs Procedures
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The Prosecuting Attorney does not have a current listing of amounts owed for court ordered restitution, and monitoring procedures of the amounts owed are not adequate. In addition, the county is not fully utilizing the capabilities of the Justice Information System (JIS) to track and collect all court ordered restitution owed.

- A. A current listing of court ordered restitution owed to the Prosecuting Attorney is not maintained and monitoring procedures related to restitution amounts owed are not adequate. The Prosecuting Attorney's office is in the process of transferring all unpaid restitution cases from an old computer system to a new computer

system. The office manager stated that while they are in the process of performing this transfer, the office has not taken action on past due restitution amounts not yet recorded in the new system. Our review of restitution cases with amounts owed noted 4 of 10 cases reviewed that were not yet in the new computer system for which appropriate action has not been taken by the Prosecuting Attorney. The last court ordered restitution report printed from the Prosecuting Attorney's old computer system, dated April 11, 2007, identified amounts due of approximately \$200,000. A court ordered restitution report printed from the Prosecuting Attorney's new computer system, dated January 28, 2008, identified amounts due of approximately \$46,000. A complete and accurate listing of court ordered restitution amounts would allow the Prosecuting Attorney to more easily monitor amounts due and to take appropriate steps to ensure amounts owed are collected on a timely basis.

- B. The Circuit Court does not fully utilize the capabilities of the JIS to track and collect all court ordered restitution owed. Court ordered restitution is collected by both the Circuit Clerk and Prosecuting Attorney. Circuit Clerk personnel enter all court ordered restitution to be collected by the Circuit Clerk, as well as payments made, into the JIS. However, court ordered restitution to be collected by the Prosecuting Attorney is not entered into the JIS, but is tracked and collected separately by the Prosecuting Attorney. The Circuit Clerk indicated that effective July, 1, 2008, the Court will utilize the Debt Collection Program provided through the Office of State Courts Administrator. This program allows for the collection of any past due court ordered restitution as long as the offender is on probation. In addition, accrued court ordered restitution due to the state or a political subdivision entered in the JIS is currently subject to the Department of Revenue's Debt Offset Program. While it is a common practice for Prosecuting Attorneys to collect court ordered restitution, tracking the restitution in the JIS would provide a method for additional collection efforts. In addition, entering all court ordered restitution into the JIS would provide a complete centralized record of all court action and transactions related to each case.

WE RECOMMEND:

- A. The Prosecuting Attorney continue to work on updating the new computer system to maintain a complete listing of unpaid court ordered restitution and routinely follow-up and pursue timely collection of these monies.
- B. The Circuit Clerk and Prosecuting Attorney work together to ensure all court ordered restitution is entered and tracked in the JIS to enhance collection efforts.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *In all fairness to the Prosecuting Attorney's office, up until the crash of the computer program, the office had no problem monitoring restitution cases for payment. Prior audits should reflect that. During this audit, the office was in the process of getting the system in place and inputting the restitution case data so that the office could continue monitoring the payments. No one came back from the audit team to check the status of this matter. As of this date, the office has entered all restitution cases that are active and are monitoring them for collection. The office also is now able to retrieve old case data from the crashed program for comparison in monitoring all restitution cases. This concern has been addressed.*
- B. *As to whether the JIS system is used to collect all restitution in regard to the Prosecutor's Office, this would be an idea for discussion with input from the Prosecuting Attorney and Circuit Clerk offices as well as the Judge. This office has no problem with taking this into consideration, but would prefer to discuss this matter with the Circuit Clerk and make this decision at a later date after all factors as to the work load and efficiency are all considered. The JIS system has not been trouble-free and, as you noted, now carries the potential for added financial burden to the defendants. The primary responsibility is to effectively collect restitution for the victims. I will take this suggestion under advisement at this time.*

The Circuit Clerk indicated she has reviewed with the Circuit Judge and the Associate Circuit Judge the finding and recommendation, regarding the Prosecuting Attorney's audit report, as to comments pertaining to the Circuit Clerk. The Circuit Court does fully utilize the capabilities of the court's computer system known as JIS. It is ultimately the decision of the Judge as to if and when the Circuit Clerk is directed to collect and disburse court ordered restitution. Therefore, the Circuit Court's policy for collecting court ordered restitution will remain the same at this time. The Circuit Clerk will, however, discuss the recommendation with the Prosecuting Attorney.

9. County Clerk's Controls and Procedures
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Rediform receipt slips rather than official prenumbered receipt slips are issued for monies received by the County Clerk's office and receipt slips are issued only upon request. Also, notary fees are recorded at the end of month rather than when received. Furthermore, restrictive endorsements are not applied to checks by the County Clerk immediately upon receipt. Instead, the checks are endorsed by the County Treasurer when transmitted to him on a monthly basis. Approximately \$3,000 and \$2,000 was transmitted to the County Treasurer during the years ended December 31, 2007 and 2006, respectively, from the sale of maps, plat books, voter information requests, liquor merchant licenses, notary fees, and photocopies.

To ensure proper accountability and adequately safeguard all monies received, official prenumbered receipt slips should be issued for all monies received, all receipts should be recorded on the fee sheet in a timely manner, and checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the County Clerk issue official prenumbered receipt slips immediately upon receipt for all monies received, record all monies on the fee sheet in a timely manner, and restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

The County Clerk indicated this recommendation has been fully implemented. Official prenumbered receipts are issued for all monies received, all fees are recorded on the fee sheet when received, and checks are endorsed upon receipt.

10. Assessor's Accounting Controls and Procedures
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Rediform receipt slips rather than official prenumbered receipt slips are issued for monies received by the Assessor's office. In addition, some receipt slips issued did not include the payor's name. Approximately \$4,000 was transmitted to the County Treasurer during each of the years ended December 31, 2007 and 2006, from the sale of maps, information requests, and photocopies.

To ensure proper accountability of all monies received and adequately safeguard all monies received, official prenumbered receipt slips should be accurately completed and issued for all monies received, and monies should be properly secured in a locked location until transmitted.

WE RECOMMEND the Assessor issue official prenumbered receipt slips immediately upon receipt for all monies received.

AUDITEE'S RESPONSE

The Assessor indicated he presently issues prenumbered receipt slips. All receipt slip numbers are accounted for and receipts are reconciled with the County Treasurer. He does not think it would be cost effective to have a printer preprint receipt slips for his office due to the number of receipt slips issued. The current method was recommended by a prior state audit team.

11. E-911 Accounting Controls and Procedures

Procedures related to the collection of map and sign receipts need improvement. Rediform receipt slips rather than official prenumbered receipt slips are issued for monies received by the E-911 office. In addition, the change fund is not maintained at a constant amount. To ensure proper accountability of all monies received, official prenumbered receipt slips should be issued for monies received and the change fund should be maintained at a constant amount. Approximately \$1,500 and \$2,700 was transmitted to the County Treasurer during the years ended December 31, 2007 and 2006, respectively, from the sale of maps, information requests, and photocopies.

WE RECOMMEND the E-911 Director issue official prenumbered receipt slips and maintain the change fund at a constant amount.

AUDITEE'S RESPONSE

The E-911 Director indicated that he still uses rediform receipt slips. However, on the next receipt slip after a turnover, he indicates the amount turned over to the County Treasurer with a break down of cash and checks and the balance remaining in the change fund. The Director indicated he will check into the cost of obtaining official receipt slips.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

BENTON COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Benton County on findings in the Management Advisory Report (MAR) of our prior audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

The county's General Revenue Fund was experiencing a declining cash balance.

Recommendation:

The County Commission continue to closely monitor the county's financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the General Revenue Fund.

Status:

Partially implemented. The County Commission meeting minutes indicate the County Commission performs monthly reviews of budget to actual amounts, as well as periodic reviews of fund balance reports provided by the County Treasurer. However, there was a decline in the General Revenue Fund's estimated 2008 cash balance. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Excess Expenditures

Various county officials did not properly monitor budget and actual expenditures.

Recommendation:

The County Commission not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.

Status:

Not implemented. The County Commission periodically reviews budget progress reports for all budgeted funds held by the County Treasurer. While the County Commission amended the budgets for several funds during the two years ended December 31, 2007, warrants were still authorized in excess of budgeted expenditures in the Insurance, DARE, E-911, and Law Library Funds for 2007 and in the Juvenile Detention, DARE, and Law Library Funds for

2006. According to the County Commission, in 2007, warrants exceeded budgeted expenditures in the Insurance Fund due to the rising cost of healthcare. A review of the E-911 Fund budget noted the same occurrence. Although the Law Library Fund is in the custody of another official who administers the transactions of that fund, the County Commission did not require periodic budget progress reports from that official. Although not repeated in the current MAR, our recommendation remains as stated above.

3. E911 Building Project

- A. In March 2003, the county hired an architect to design and administer the construction of a building to house the E911 operations. The criteria used to evaluate the various firms and selection procedures were not adequately documented by the county.
- B. In December 2003, the county hired a contractor to construct the E911 center for approximately \$609,000. The county did not solicit new or modified construction bids for significant building design changes made after bids on the original design were opened.

Recommendations:

The County Commission:

- A. Maintain documentation in the meeting minutes of criteria considered in awarding contracts.
- B. Consider soliciting bids on significant design changes when necessary on future construction projects.

Status:

- A. Not implemented. See MAR finding number 5.
- B. No construction projects were noted during our review of expenditures. However, see MAR finding number 5 for comments related to bidding.

4. Associate Commissioner Salaries

In 1999, mid-term raises were given to the Associate Commissioner. As part of legislation passed in the 1997 legislative session, Section 50.333.13, RSMo, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. On May 15, 2001, the Missouri Supreme Court handed down an opinion that held this section of statute violated Article VII, section 13 of the Missouri Constitution. The Benton County Salary Commission minutes did not specifically address the provisions of Section 50.333.13, RSMo, but did provide that all officials taking office in 1999 would receive 100 percent of the maximum salaries.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

Status:

Partially implemented. In a letter dated April 1, 2005, the County Commission indicated they consulted with the Prosecuting Attorney and reviewed the audit recommendation with the Associate Commissioners. They stated that in absence of a clear directive from the State Attorney General's Office and the County Prosecuting Attorney, the decision to repay became an individual Associate Commissioner decision and the county did not plan to take the matter to court. The County Clerk confirmed as of March 2008, there have been no repayments of salary overpayments received by the county and payments are not expected. Although not repeated in the current MAR, our recommendation remains as stated above.

5. County Treasurer's Controls and Procedures

- A. Monthly bank reconciliations had not been properly prepared or documented.
- B. No monies had been distributed from the Land Tax Sale Overplus Fund to various school districts since late 2002.
- C. The County Treasurer prepared no semiannual settlements since taking office in January 2003.

Recommendations:

The County Treasurer:

- A. Prepare and document proper monthly bank reconciliations.
- B. Disburse \$5,300 from the Land Tax Sale Overplus fund to the school districts, maintain a liability listing for the Land Tax Sale Overplus Fund, and ensure distributions from the fund are made on a timely basis.
- C. Prepare settlements semiannually as required by law.

Status:

- A. Not implemented. See MAR finding number 7.
- B. Partially implemented. The \$5,300 identified during the prior audit was disbursed during the year ended December 31, 2004. The County Treasurer does not maintain a liability listing for the Land Tax Sale Overplus Fund. Instead, each December he works with the County Collector to determine which monies have been held in the Fund for over three years and disburses the monies to various school districts. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. The County Treasurer prepared settlements in 2006 and an annual settlement for the year ended December 31, 2007. However, he did not prepare a semi-annual settlement as of June 30, 2007, and the 2007 annual settlement was not complete or accurate. See MAR finding number 7.

6. County Collector's Controls and Settlements

- A. The County Collector did not prepare timely bank reconciliations and did not reconcile the bank balances to liabilities.
- B. The County Collector did not adequately follow up on checks that were outstanding for a considerable time.
- C. The County Collector continued to distribute surtax collections using percentages calculated for distributing the 1985 collections and had not recalculated the surtax distribution percentages each year as required by state law.
- D. The County Collector had no written agreement to provide property tax collection services for the City of Warsaw. The written agreements with the cities of Cole Camp and Ionia were executed in 1986 and 1989, respectively.
- E. The County Collector had not distributed the interest earned on bank deposits on a timely basis. Interest earned from March 2000 through February 2004, totaling in excess of \$36,000 had not been distributed.
- F. The County Collector did not adequately monitor some bank account balances for sufficiency of pledged collateral securities or commercial insurance.
- G.1. The County Collector did not file annual settlements with the County Commission on a timely basis.

2. Various errors and omissions occurred in the annual settlements filed for the years ended February 28, 2003, 2002, and 2001.
3. The County Commission did not review the annual settlements prepared by the County Collector.

Recommendations:

- A. Prepare monthly bank reconciliations and reconcile the cash balance to listings of liabilities.
- B. Attempt to locate the payees of the old outstanding checks and reissue checks is possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- C. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.
- D. Work with the County Commission to obtain current written agreements with the cities for tax collections.
- E. Allocate interest earned on bank deposits in a timely manner.
- F. Monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage.
- G. File complete and accurate annual settlements on a more timely basis. In addition, the County Commission should use the account book to verify the annual settlements of the County Collector.

Status:

- A&B. Not implemented. The County Collector prepares bank reconciliations for six of nine bank accounts maintained for her office. These include two general property tax accounts, the protest tax account, credit card payment account, tax maintenance account, and tax sale redemption account. However, bank reconciliations have not been prepared for the two on-line payment bank accounts or an old general property tax account. In addition, the County Collector does not prepare open items (liability) listings for any accounts. No action has been taken on old outstanding checks related to a general property tax account maintained by the previous County Collector. See MAR finding number 2.
- C-E. Not implemented. See MAR finding number 2.

F. Implemented.

G. Partially implemented. The prior Collector did not file the annual settlement for the year ended February 28, 2006, in a timely manner. The current County Collector filed annual settlements for the years ended February 28(29), 2008 and 2007, in May 2008 and May 2007, respectively. However, various errors and omissions were noted in the annual settlement for the year ended February 28, 2007. In addition, the County Commission indicated they do not review or verify the annual settlements of the County Collector. See MAR finding number 2.

7. Sheriff's Accounting Controls

A. Accounting and bookkeeping duties were not adequately segregated.

B. Monthly listings of open items (liabilities) were not prepared and reconciled to the cash balance.

C. Receipts were not deposited on a timely basis.

Recommendations:

A. The Sheriff segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.

B. The Sheriff prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law.

C. The Sheriff deposit receipts intact daily or when accumulated receipts exceed \$100.

Status:

Not implemented. See MAR finding number 1.

8. Healthcare Center's Budgets

The Health Center's budget document did not adequately project the anticipated financial position for the Health Center Fund.

Recommendation:

The Health Center Board of Directors prepare reasonable estimates of disbursements so that projected reserves are more properly presented in the annual budgets. If the Board desires to build up reserves for future specific needs, this information should be documented in the budget.

Status:

The health center was not included in the scope of the current Benton County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

BENTON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Benton County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Warsaw.

Benton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 17,180 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 153,877,600
Personal property	51,683,666
Railroad and utilities	12,407,359
Total	<u>\$ 217,968,625</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Benton County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements	.0050	2011	None	
Law Enforcement – E-911	.00375	None	None	
Local Use Tax	.01375	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2008	2007
County-Paid Officials:	\$	
Mark Breshears, Presiding Commissioner		29,060
Tom Henderson, Associate Commissioner		27,060
Walter Schumacher, Jr., Associate Commissioner		27,060
Mary Lutman, County Clerk		41,000

Karen Coffey Woodley, Prosecuting Attorney	96,000
Rick Fajen, Sheriff	45,000
Rick Renno, County Treasurer	41,000
James A. Miller, County Coroner	13,000
Wayne Linhardt, Public Administrator	25,000
Donna Hart, County Collector (1), year ended February 29,	46,399
Rodger L. Reedy, County Assessor (2), year ended August 31,	41,688
Jesse Wininger, County Surveyor (3)	

- (1) Includes \$5,399 of commissions earned for collecting city property taxes.
 (2) Includes \$688 annual compensation received from the state.
 (3) Compensation on a fee basis.

State-Paid Officials:

Cheryl Schultz, Circuit Clerk and Ex Officio Recorder of Deeds	51,197
Larry Burditt, Associate Circuit Judge	101,090

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2007, the principal balance of the leases totaled approximately \$338,000. Principal and interest payments are made from the Special Road and Bridge Fund.

The county also entered into a lease purchase agreement for E-911 equipment in September 2004. At December 31, 2007, the principal balance of the lease was approximately \$104,000. Principal and interest payments are made from the E-911 Fund.



Susan Montee, CPA
Missouri State Auditor

Safe Schools Initiatives



August 2008
Report No. 2008-52

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

August 2008

Our office conducted an audit of the Safe Schools Initiatives.

The audit of Safe Schools Initiatives identified significant weaknesses in school districts' safe schools policies, procedures, and programs. These weaknesses include incomplete discipline policies, inadequate communication of said policies, and inaccurate incident data. There are insufficient violence prevention programs, anti-bullying policies, safety procedures and programs, and emergency management plans and drills. In addition, Missouri school districts need to better address Internet safety, sex offenders, and the state violence hotline (866-748-7047), and should consider evaluating their policies, procedures, and programs to determine the extent to which improvements are needed. These weaknesses should also be considered when safe schools issues and programs are proposed, discussed, evaluated, and monitored by school districts, the Department of Elementary and Secondary Education, other state agencies, and the General Assembly.

The state should also improve its oversight of school safety issues both at the school district and state level. A comprehensive, coordinated safe schools program may help assist school districts in improving safety, and additional laws or regulations may be needed to address significant safe schools issues such as emergency management plans and emergency drills.

The DESE should better monitor school districts' policies and procedures related to safe schools issues, ensure school districts report complete and accurate data in its Core Data system, and increase the level of discipline incident detail in the system. In addition, the department needs to better communicate the Missouri Violence Prevention Curriculum Framework to school districts, evaluate school districts' violence prevention programs, evaluate the effectiveness of the framework and better publicize the state violence hotline. Finally, the DESE should document their determination of persistently dangerous schools, and ensure reports of school discipline data are accurate and complete.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SAFE SCHOOLS INITIATIVES

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
D. Kent King, Commissioner
Department of Elementary and Secondary Education
and
Mark S. James, Director
Department of Public Safety
Jefferson City, Missouri

We have audited Missouri's Safe Schools Initiatives. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006, and included certain activities/programs dating back to 2002. This report is the second of two reports on the Missouri Safe Schools Act and other programs designed to protect Missouri's school children. The objectives of our audit were to:

1. Determine Missouri school districts' and state agencies' compliance with the Safe Schools Act, and certain other laws, regulations, and policies/guidelines as they relate to school safety.
2. Determine and report state agencies' programs that relate to school safety.
3. Review certain policies, procedures, and controls related to significant safe schools initiatives and to determine the efficiency and effectiveness of these initiatives.
4. Compare Missouri's initiatives related to safe schools with safe school efforts and results in other states.
5. Determine the extent students, teachers, and other members of the school community feel safe at school.

Our methodology included reviewing minutes of the Homeland Security Advisory Council, Safe Schools Working Group meetings; written policies and procedures, financial records, and other pertinent documents of school districts and state agencies; interviewing various school district and state agency personnel, as well as certain external parties; and an

analysis of comparative data obtained from the Department of Elementary and Secondary Education and external sources.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Statistical Information is presented for informational purposes. This information was obtained from the management of various state agencies and other external sources and was not subjected to the procedures applied in our audit of Missouri's Safe Schools Initiatives.

The accompanying Management Advisory Report presents our findings arising from our audit of the state's Safe Schools Initiatives.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SAFE SCHOOLS INITIATIVES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Safe Schools Initiatives

Although the state of Missouri and the state's school districts have made numerous efforts to meet the challenges of providing safe schools, our audit found that improvements and continued efforts are needed. School districts often do not comply with state laws and guidelines applicable to school safety. In addition, the state does not have a comprehensive, coordinated program to assist school districts with improving school safety, and there is little communication and coordination between state agencies regarding safe schools programs/initiatives available to school districts. Also, it appears the Department of Elementary and Secondary Education (DESE) should establish school safety as a higher priority in its communication with and monitoring of school districts.

Schools are responsible for providing a safe environment so that students and teachers maximize the education experience. However, schools serving students in kindergarten through twelfth (K-12) grade are faced with numerous issues involving school safety. From preparing for natural disasters to preventing school violence and protecting students from illnesses, school administrators are responsible for ensuring students are safe at school.

Many school administrators and law enforcement personnel believe that overall, schools are among the safest places for children to be each day. However, most also acknowledge improvements are needed to ensure students are adequately protected from harm. School district officials told us they are faced with a variety of school safety issues, including: prevention of unauthorized entry, vandalism, and theft; alcohol and drug usage; fighting; disrespect of school personnel; weapons brought to school; lack of funding to purchase equipment and security services needed; and denial that a school violence situation could occur. In addition, Missouri school districts have reported numerous incidents of violent and risky behaviors occurring in schools, such as possession of weapons, various violent acts, and drug, alcohol, and tobacco use. Also, when surveyed, 12 percent of Missouri students said they do not feel safe at school. Studies show student learning is affected by the students' and teachers' feelings on safety.

This report is the second of two reports on the state's Safe Schools Act and other programs/initiatives designed to protect Missouri school children. Our previous report evaluated the DESE's Safe Schools Grant Program¹, which is authorized by the Safe Schools Act. That report disclosed the DESE needed to improve its oversight and management of this grant program.

¹ *Elementary and Secondary Education, Safe Schools Grant Program*, SAO, December 2007, (Report No. 2007-85).

This report addresses other school district and state agency policies, procedures, programs, and initiatives pursuant to the Safe Schools Act and other state laws, as well as general safety issues, such as emergency preparedness and Internet safety. In addition, we previously issued three other reports addressing school safety: Educator Certification Background Checks², School Bus Safety³, and Analysis of School Bus Driver Compliance Requirements⁴. Also, we are currently conducting another audit addressing school safety: childhood immunizations.

Background Information

As discussed more fully in the History and Statistical Section of this report, the Safe Schools Act, which passed in 1996 and amended in 2000, provides requirements on various school safety issues, including the requirement that students who bring a weapon on school property be suspended for one year. The requirements of the Safe Schools Act, together with other laws that cover school safety issues, are referred to in this report as "safe schools provisions". As noted in Appendix A of this report, the safe schools provisions provide requirements for school districts, law enforcement officials, and some state agencies.

To assist school districts in improving school safety, in April 2006, the Governor's Homeland Security Advisory Council established the Safe Schools Working Group. This group, which is co-chaired by the Department of Public Safety (DPS), Office of Homeland Security, and DESE consists of representatives from school districts, law enforcement agencies, emergency responders, state agencies, and other related entities from across the state.

Scope and Methodology

We interviewed school district personnel from 25 school districts and reviewed related policies and procedures, and other documents supporting the school districts' programs involving safety. We also reviewed DESE's Missouri School Improvement Program (MSIP) reports for these school districts for issues related to school safety. In addition, we surveyed various state agencies regarding their programs related to school safety. We obtained and analyzed school district discipline incident data from the DESE's Core Data⁵ system for the five school years 2002-2003 through 2006-2007; reviewed its policies and procedures for this data and its monitoring of school districts' safety procedures. Furthermore, we reviewed the Missouri Center for Safe Schools (MCSS) reports for school safety reviews conducted at 24 school districts during the 2006-2007 school year. Finally, we interviewed officials from 11 other state education departments

² *Elementary and Secondary Education, Educator Certification Background Checks*, SAO, August 2007, (Report No. 2007-32).

³ *School Bus Safety*, SAO, April 2003, (Report No. 2003-35).

⁴ *Analysis of School Bus Driver Compliance Requirements*, SAO, June 2008, (Report No. 2008-36).

⁵ Core Data is used to collect and archive financial and statistical data for all school districts throughout the state.

and/or school safety centers⁶ regarding those states' school safety programs, laws and procedures.

Problems Identified and Recommendations

School Districts

- A. We identified weaknesses, inconsistencies, and improvements needed in school districts' policies, procedures, and programs related to school safety. Since Missouri school districts are governed by local school boards, our findings for school districts are informational and should be considered by the school districts; DESE; DPS, Office of Homeland Security; other state agencies; and the General Assembly when safe schools issues and programs are proposed, discussed, evaluated, and monitored.

Significant problems related to safe schools issues include:

1. For the school districts reviewed, the discipline policies were not always complete or clear and sometimes did not comply with the safe schools provisions. Although most school districts developed their policies through policy subscription services from outside vendors, most policies still contained areas in need of improvement. Additionally, many MCSS reports identified problems with discipline policies. These weaknesses we noted include:
 - Although each act of misconduct was listed, many policies did not clearly outline the consequences for each act of misconduct.
 - Many policies did not require school administrators to report student acts of school violence to teachers and other school district employees who interact with that student. In addition, most MCSS reports noted problems with school districts' procedures for maintaining records of students who received long-term suspensions, and passing that information to teachers and other school district employees responsible for the student as the student is promoted or transferred.
 - Many policies did not provide that students suspended for serious violations of the discipline policies were prohibited from being within 1,000 feet of any school within the school district during the suspension period. Some MCSS reports also noted that this requirement was not in place.

⁶ Colorado, Connecticut, Florida, Georgia, Indiana, Kentucky, Mississippi, North Carolina, Ohio, Virginia, and Washington.

- Although one policy did provide for a one-year suspension for students who brought a firearm on school property, the policy did not provide for a one-year suspension for other types of weapons as required by the Safe Schools Act. Many MCSS reports identified weaknesses with policies regarding weapons.

Section 160.261, RSMo, provides 1) school districts should "clearly establish a written policy of discipline, including the school district's determination on the use of corporal punishment and the procedures in which punishment will be applied", 2) the policy should require school administrators to report acts of school violence to teachers and other employees who are directly responsible for the student's education or who otherwise interact with the student on a professional basis while acting within the scope of their assigned duties, 3) the policy should require that certain suspended students are "not allowed, while on suspension, to be within one thousand feet of any public school in the school district" , and 4) the policy should provide for a suspension for a period of not less than one year, or expulsion, for a student who is determined to have brought a weapon (defined as gun, firearm, blackjack, explosive weapon, knife, knuckles, projectile weapon, etc.) on school property or to a school activity. The length of suspension may be modified by the superintendent on a case-by-case basis.

When we discussed these weaknesses with school districts' officials, some officials indicated they were not aware of certain discipline policy requirements.

School district administrators are responsible for ensuring students have an opportunity to learn in an emotionally and physically safe place; and the foundation for providing such an environment lies in the school district's policies and procedures. Comprehensive discipline policies, which comply with the safe schools provisions, can benefit both the students and the school district employees by outlining the school district's expectations for student conduct and consequences for violating the policies. In addition, clear and complete policies would help ensure policies are fairly and consistently applied to all students.

2. School districts are not always adequately communicating behavior expectations and consequences for acts of misconduct to students and parents. Officials from all school districts interviewed indicated they distribute their discipline policy annually to students and parents in a summary form in documents such as the student handbooks and/or discipline guides.

Our review of the documents disseminated by these school districts revealed that in many instances the documents conflicted with or did not

contain all information from the school district's discipline policy and/or were not in compliance with safe schools provisions.

For example, one school district gave a discipline guide to parents and students and also included its discipline policy in student handbooks. While acts of misconduct and consequences listed in the discipline guide agreed to the discipline policy, some information in the student handbooks did not agree with the discipline guide or the policy. Another school district's discipline guide included in elementary/middle school student handbooks was incomplete and contained information which conflicted with the policy; while the version of the guide included in the high school handbook was outdated. Although a third school district's discipline policy complied with the requirement of a one-year suspension or expulsion for weapons, the student handbook only addressed this requirement for firearms, not other weapons. Many MCSS reports also noted similar problems with the discipline policy documentation distributed by school districts.

In addition, many school district websites did not include a complete record of the school district's discipline policies and/or did not include the student handbooks and/or discipline guides for all schools in the school district. Also, a few MSIP reports noted school districts were not obtaining signatures from parents and students acknowledging receipt of the discipline policy.

Section 160.261.1 RSMo, provides that "a written copy of the school district's discipline policy and corporal punishment procedures if applicable, shall be provided to the pupil and parent or legal guardian of every pupil enrolled in the school district the beginning of each school year and also made available in the office of the superintendent of such school district, during normal business hours, for public inspection." Additionally, for those school districts with a website, Section 162.208, RSMO, provides that school districts post their policies and handbooks on their website.

Although distributing summary documentation, rather than the actual discipline policies, to students and parents may be efficient; this practice, without careful review to ensure compliance with the policy, increases the risk that students and parents are not adequately informed about discipline policies.

3. School districts have not established adequate procedures to ensure discipline incident data reported on the DESE's Core Data system is accurate.

Many school districts incorrectly reported discipline data during the 2004-2005 and/or 2005-2006 school years. One school district, the second largest in the state, failed to record any discipline incidents for the 2004-2005 school year. Officials from that school district indicated they could not determine why the approximately 3,400 incidents were not reported that year. Also, approximately 43 percent of school districts did not report any incidents in one of the past five years. We found, for school districts reviewed which had not reported any incidents, there were incidents which should have been reported.

It appears most of the errors occurred because 1) there were problems with the data transfers from the school districts to the DESE system, or 2) school districts did not follow and/or understand Core Data manual instructions.

Section 160.522, RSMo, requires the DESE to produce, at least annually, a school accountability report card for each school building in the state. The report card lists various school statistics including the number and rate of suspension of ten days or longer and expulsion of pupils. To comply with this requirement, the DESE requires school districts to enter certain data into its Core Data system which the DESE utilizes to prepare the school accountability report card.

School districts need to establish procedures to ensure the discipline incident data recorded on the DESE's system is complete and accurate.

4. School districts' progress towards implementing school violence prevention programs varies, and many school districts have not established violence prevention programs in accordance with safe schools provisions and/or DESE guidelines.

Many school administrators told us their school district had not developed violence prevention programs in accordance with the Missouri Violence Prevention Curriculum Framework guidelines. Some administrators acknowledged that improvements were needed in their program(s) and changes were planned for the future. However, other administrators indicated they were not familiar with the framework guidelines. Most MCSS reports noted significant weaknesses in school districts' violence prevention programs. Also, some MSIP reports indicated a lack of violence prevention training for staff and other reports revealed the frequency of training sessions and percentage of staff trained varied between school districts.

Section 161.650, RSMo, provides the DESE adopt a program of educational instruction regarding violence prevention to be administered by school districts. Pursuant to this section, the DESE adopted the

Missouri Violence Prevention Curriculum Framework in 1998. This framework includes components such as character education, discipline, anger management, conflict resolution, and problem solving. In addition, the guidelines suggest the programs engage the entire school community—teachers, students, parents, principals, and support staff. School districts may administer the program to students at the K-12 grade levels and provide training for school district employees directly responsible for educating students.

Effective school violence prevention programs can provide a foundation for a safer environment for students to learn. It is important that all students, teachers, and staff are trained to recognize and respond accordingly to the signals of potential problems related to violent behavior. School districts need to consider adopting violence prevention programs in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.

5. School districts' policies and programs to prevent bullying are not always adequate. Many school districts' anti-bullying policies lacked significant provisions, such as a requirement that school district employees report instances of bullying and/or employee training on the policy. In addition, one school district had not adopted anti-bullying policies.

Section 160.775, RSMo, requires each school district to adopt an anti-bullying policy by September 1, 2007. The policy may address age appropriate differences and must contain the consequences of bullying. Also, the policy must require school district employees to report any known instances of bullying and include training of employees on the policy.

National studies show that many students do not attend school because of the fear of being bullied and that many school shooters felt bullied at school. According to the MCSS, school districts' programs to prevent bullying are not always adequate. Thus, the MCSS, in collaboration with the Safe Schools Working Group, is currently preparing guidance for school districts to utilize in developing bullying prevention programs.

To provide a safe environment where students are comfortable to learn, school districts need to establish adequate policies and programs which prohibit bullying and provide students a safe means for reporting instances of bullying. At a minimum, school districts need to adopt anti-bullying policies in accordance with state law.

6. Not all school districts have established a safety committee.

Some school districts interviewed indicated they did not have a safety committee. For those school districts with a safety committee, the

frequency of the meetings varied, ranging from once a month to once a year. The MCSS reports also noted many school districts had not established a safety committee; and for many of the school districts with a safety committee, improvements were needed in the representation on the committee and frequency of committee meetings. The MSIP provides that school districts have actively functioning safety committees.

According to MCSS personnel, safety planning benefits from the experience and perceptions of a diverse team; and the MCSS recommends a designated safety coordinator and adequate representation such as administrators, teachers, school resource officers, nurses, counselors, bus drivers, custodial and maintenance staff, students, parents, and local law enforcement and emergency services personnel on the safety committee. Also, the committee should meet at least twice a year, evaluate various school district safety issues, establish plans for action, and ensure that those plans are implemented.

School districts should appoint a safety committee to review and evaluate safety issues. The committee should meet at least twice a year.

7. School districts' emergency management plans need improvement. Also, some school districts have not adequately trained their staff regarding their emergency plans.

Although school districts interviewed indicated their emergency management plans were developed in coordination with local law enforcement and emergency responders, all MCSS reports noted weaknesses in the school districts' plans and procedures to respond to emergency situations.

The MCSS reviews include a comprehensive review of emergency planning and preparedness procedures. Weaknesses identified in school districts' plans included lack of coordination with city/county emergency plans and personnel, lack of coverage of all hazards, inconsistencies with Incident Command System concepts being utilized throughout the United States, and failure to provide emergency quick reference guides to teachers and bus drivers summarizing procedures to be followed. Additionally, the MCSS recommended school districts better train and prepare staff for threatening and emergency situations such as fight intervention; fire extinguisher training; bomb threats; and shut off of gas, water, and electricity in certain situations. Also, safety information needed to be included in employee handbooks.

The Safe Schools Working Group saw the need for consistent and comprehensive emergency management plans and developed an Emergency Response Information Plan (ERIP) as a tool to help emergency

school planning. The ERIP is free to public and non-public K-12 schools, higher education institutions, and licensed child care centers to assist in planning and training for all types of emergency events; and will allow law enforcement, fire and other emergency responders to access participating schools' floor plans and other critical information via the web portal when responding to school emergencies. The ERIP was available to K-12 schools and higher education institutions in the fall 2007.

Although there are no state laws or regulations which require school districts to have emergency management plans, school districts need emergency management plans for the safety of the school community. The emergency management plans need to be comprehensive and developed in collaboration with other appropriate entities. Plans should be periodically reviewed and updated and all school district staff should receive training on how to implement the plans.

8. School districts do not conduct safety drills for many types of hazards.

The MSIP reports indicate many school districts do not conduct periodic drills for intruders, bomb threats, and/or environmental hazards. In addition, many MCSS reports noted deficiencies in the number of fire, tornado, and earthquake drills performed and/or in drill procedures and records. The reports also noted many school districts do not periodically conduct other emergency exercises (such as tabletop, functional, or full scale exercises) in addition to drills.

Although the MCSS encourages intruder, bomb threat, and environmental hazards drills, there is no state law requiring that these types of drills be performed. School districts need to evaluate the various types of hazards faced and conduct appropriate drills.

9. School districts need to improve their safety inspection policies and procedures. Many school districts have not developed adequate safety inspection policies and procedures, obtained external safety inspections on a timely basis, and/or analyzed/evaluated accident information to determine needed improvements to ensure the safety of school property.

The MCSS reports noted many school districts did not conduct periodic safety inspections of the buildings and grounds. For those school districts which had performed safety inspections, improvements such as increasing the frequency of inspections and safety meetings, improving inspection procedures, and/or maintaining documentation of inspections were needed. Most reports also noted various inspections of school district facilities, such as asbestos abatement, carbon monoxide and radon, drinking water from wells, and fire were not performed by external inspectors.

Additionally, all MCSS reports listed various physical safety hazards on school property. The most common hazards included: dangerous objects and lack of sufficient ground cushioning on playgrounds, hazardous chemicals in the science labs, unsecured knives in certain classrooms, lack of sanitization of shared eye protection gear in shops, lack of material safety data sheets posted in the areas where the hazardous materials were stored, lack of a pest management program, and electrical hazards. Furthermore, many reports indicated school districts were not adequately collecting and analyzing data on accidents which occurred on school district property; and utilizing the data to develop strategies to reduce accidents.

School districts should develop inspection policies and procedures, perform routine inspections of school property, and ensure that all necessary external inspections are performed on a regular basis. In addition, accident information should be collected and analyzed to determine needed improvements of safety policies, procedures, and programs. Records of the inspections and the analyses of accident data should be maintained.

10. School districts do not have adequate procedures to ensure school buildings are secure from unauthorized entry.

Many MCSS reports noted improvements in the procedures to control access to all school buildings and instructional areas were needed. Also, several school districts told us 1) they have difficulties ensuring all instructional areas are secured from unauthorized entry, 2) access control is particularly a challenge for older school buildings and classrooms in trailers, and 3) that improvements would be costly.

School districts need to develop policies and procedures to help ensure school buildings are secure from unauthorized entry to the extent possible.

11. School districts need to provide Internet safety training.

Many school districts interviewed indicated they did not provide Internet safety training for students, staff, and/or parents. Most MCSS reports also found Internet safety training programs did not exist or were inadequate; and contained suggestions that school districts utilize free training programs and resources available from various entities, including the University of Missouri, DESE Regional Professional Development Centers, and MCSS.

According to the officials from the University of Missouri program, MORENet, children are often not aware of the risks associated with

Internet social networking, and schools should educate students on these risks and how to protect themselves when using the Internet.

School districts need to develop Internet safety training procedures and programs for students, parents, and employees.

12. School districts may need to better monitor sex offender registries for sex offenders living near or coming onto school property.

Although all school districts interviewed indicated they established procedures to monitor sex offender registries, the frequency of the monitoring varied from once a month to once a year. Many MCSS reports included recommendations to improve monitoring of sex offender registries for sex offenders that live near and/or come onto school property and to report sex offender information to law enforcement. The MCSS recommends school districts monitor the sex offender registries two times a year.

Section 566.147, RSMo, provides certain sex offenders should not reside within 1,000 feet of any public or private school or child care facility, and Section 566.149, RSMo, provides sex offenders should not come within 500 feet of school property; except for sex offenders who are parents or guardians of students and have received permission from the school district superintendent or board.

Although school districts do not have the authority to enforce these laws, to ensure the safety of students, school district officials need to identify and report noncompliance to law enforcement. School districts should consider monitoring sex offender registries at least twice a year.

13. School districts need to better publicize the Missouri School Violence Hotline (866-748-7047) to students, parents, school district personnel, and the public.

Many school districts interviewed indicated they did not inform the school community of the availability of the state hotline. Our review of school districts' websites and student handbooks noted most did not include the state hotline number on their website and/or in the student handbooks. In addition, most MCSS reports included recommendations to add instructions to student handbooks to take threats seriously and promptly report them to a school official and to promote/better promote the state hotline in student and staff handbooks.

Some school districts interviewed indicated they were not aware of the hotline, while others stated that they did not publicize the hotline because they believed it was not effective. Also, some school districts indicated

they established their own hotline number or utilized a hotline number maintained by local law enforcement instead.

The state hotline is toll-free and is a resource available to all Missouri residents to anonymously report threats or incidents on public/private K-12 school property, buses, or at events. The hotline forwards the information to the appropriate school and law enforcement agency. Many people believe a hotline helps create an environment where students and others may feel more comfortable coming forward with information that could prevent an unsafe situation.

School districts should better publicize the state school violence hotline.

School districts should evaluate their individual policies and procedures to determine the extent improvements are needed in the problem areas identified above. Also, school districts should consider conducting periodic, comprehensive reviews of discipline policies, violence prevention programs, incident reporting procedures, emergency plans, and safety procedures. The MCSS has prepared a comprehensive safety review checklist that may aid school districts in such an evaluation. The checklist is available upon request. With adequate safety and security policies and procedures in place, students and school personnel could feel more safe at school which may provide for an improved learning environment.

WE RECOMMEND the DESE, in conjunction with the General Assembly; DPS, Office of Homeland Security; other state agencies; and school districts develop state laws and regulations, guidelines, or procedures, as needed, to address the weaknesses identified in the school districts' safe schools policies, procedures, and programs. Also, Missouri school districts should evaluate their individual policies and procedures to determine the extent improvements are needed in the problem areas identified.

AUDITEE'S RESPONSE

DESE will take this under advisement.

State

- B. The state could provide more guidance and monitoring of school districts' policies, procedures, and programs related to safe schools issues. Plus, state agencies need to better collaborate/coordinate safe schools programs provided to school districts.

Also, it appears the DESE, as school districts' oversight agency, could establish school safety as a higher priority in its communication with and monitoring of school districts. According to DESE personnel, most safe schools provisions are the responsibility of school districts and the DESE's oversight policies and procedures are primarily limited to monitoring to ensure school districts establish

required policies provided by state laws and regulations, and not ensuring compliance with the school districts' policies or state laws and regulations.

Following are concerns regarding the state's oversight of safe schools issues:

1. Missouri does not have a comprehensive, coordinated statewide safe schools program. The state also has not appointed a state agency and/or other entity as the designated entity responsible for assisting and monitoring school districts for sufficient safety policies, procedures, and programs or compliance with state laws and regulations. It appears both state agencies and school districts need to be better informed about school safety programs available.

As listed in Appendix G of this report, 9 state agencies spent at least \$64 million in almost 50 programs during the past six years. However, for some programs reviewed, there was little and/or no communication between agencies. For example, the Missouri School-Based Prevention Intervention and Resources Initiative, funded by the Department of Mental Health (DMH), provided violence prevention programs at several school districts; however, DMH personnel did not ensure the program complied with the Missouri Violence Prevention Curriculum Framework adopted by the DESE.

While each program focuses on the individual aspects of the particular program, these programs may be more effective if coordinated with other programs offered by other state agencies. Additionally, discussions with school district officials found that they were not always aware of the various programs available to their district.

Surveys of other states found that many states have safe schools centers which coordinate with their various state agencies and other entities that provide services to their school districts. Recent House Bill No. 2124, which did not pass, would have provided the DESE establish a statewide center for school safety and school violence prevention. The center would have offered safety-related services and resources to all public schools in the state.

It appears a comprehensive, coordinated program would help ensure all school districts are informed of relevant school safety issues, programs, laws, and regulations. Also, a coordinated program could more readily evaluate whether programs are working as intended and identify areas for improvement on a statewide basis. In addition, the General Assembly, schools, other entities, and the public would have a single resource regarding safety in schools.

2. State laws and regulations do not address certain significant safe schools issues. For example, there is no state law or requirement that school districts have emergency management plans or conduct drills addressing emergencies such as natural disasters (other than earthquakes), intruders, bombs or bomb threats, and other threatening situations.

According to a report, issued by the U.S. Government Accountability Office⁷ (GAO) in June 2007, 32 states have laws or other policies requiring schools to have a written emergency management plan. Additionally, a few states reported providing state funding to school districts for emergency management planning. Also, one state contacted reported reviewing and approving school districts' safety plans. A second state required school districts to annually certify to the state that their school board approved their crisis plan and a third state required school districts to conduct tornado, fire, and manmade occurrence (such as student disturbance, weapon, and hostage incidents) drills.

State laws and regulations addressing school safety issues establish the foundation for school districts to maintain a safe and secure educational environment. These laws may need to be expanded to better address school safety issues. The General Assembly; DPS, Office of Homeland Security; DESE; and other state agencies should consider whether additional laws or regulations are needed to help strengthen security and safety of Missouri schools.

3. The DESE needs to improve its oversight of school districts' policies, procedures, and programs related to school safety. The DESE's primary oversight/monitoring of school districts' safety procedures is performed through the MSIP process. However, the MSIP procedures do not always adequately ensure school districts' policies and procedures are complete, comprehensive, or sufficient, and comply with safe schools provisions, if applicable.

Our review found there was little documentation of the procedures performed by the MSIP review team; thus, making it unclear if sufficient procedures were performed to ensure school district safety procedures were adequate and in place. Areas of concern include: 1) discipline policies and procedures, 2) security and crisis management plans for each school building, 3) responses by school districts to survey results, 4) various safety inspections, and 5) certain safety procedures, such as background checks for employees other than teachers and bus drivers,

⁷ *Emergency Management, Most School Districts Have Developed Emergency Management Plans, but Would Benefit from Additional Federal Guidance*, GAO, June 2007 (Report No. GAO-07-609).

monitoring for sex offenders, and analyzing and using accident data to improve safety.

Also, even when safety procedure weaknesses were identified, the weaknesses were not always reported as concerns which the school districts were required to address in their corrective action plans.

In addition, neither the DESE or school districts make the MSIP reports readily available to the public. The reports are not included on the DESE's website and none of the school districts interviewed had posted their most recent MSIP review on their website. According to DESE personnel, the MSIP reports are not on their website because the reports are complex electronic merge documents; however, hard copies of the reports are available upon request.

Because the MSIP process involves a comprehensive review of all school district responsibilities, we acknowledge that it may be difficult for the MSIP review to include an in-depth review of safety issues. However, as noted above, a comprehensive, detailed evaluation of school districts' safety policies and procedures would assist in identifying those areas where safety procedures could be improved.

One state interviewed requires school districts conduct annual self-assessments of the school district's current safety and security practices, and develop strategies and activities to improve school safety and security. Three other states approve safety assessment tools for school districts to utilize.

The DESE should consider requiring school districts periodically conduct a self assessment of safety procedures. This self assessment could be evaluated by the DESE during the MSIP process or at another time to ensure school districts are conducting safety reviews and following up on weaknesses noted.

Additionally, the DESE needs to improve its documentation of MSIP procedures performed. Without adequate documentation it is difficult to determine if procedures performed were adequate. Also, to more fully inform parents and the public, the DESE and school districts should consider making MSIP reports and/or significant portions of the reports available on their websites.

4. The DESE does not analyze school districts' MSIP survey results or ensure school districts use their results to make necessary policy changes to improve safety.

The MSIP review process includes surveying students, parents, and school district personnel regarding their feelings on school safety and the

condition of the school buildings. As included in Appendix D in this report, for the 2002 through 2006 school years, 12 percent of students did not feel safe at school, while 17 percent did not believe their school building was in good repair. Parents, faculty, and support staff generally believed schools were safer and buildings were in better condition than students.

Analyzing and evaluating feelings on school safety issues may help school districts to better address specific areas of concern. Additionally, the DESE should analyze the survey results on a statewide basis to evaluate the perceptions of safety within Missouri schools and identify areas that may need addressed on a statewide basis.

5. The DESE needs to strengthen its discipline incident reporting system policies and procedures to ensure accurate and sufficiently detailed data is received from school districts. Also, the DESE should consider requiring school districts to analyze and evaluate incident data to modify school safety programs, as needed.

- The DESE needs to improve its procedures to ensure school districts' discipline incident data is accurately entered on its Core Data system.

For example, the DESE does not perform a year-to-year comparison of Core Data incidents by school district or utilize other methods to ensure the accuracy of the incidents reported. Additionally, the MSIP review does not evaluate the discipline incident data reported. As noted above, school districts did not always accurately report discipline incidents to the DESE and we found little communication between the DESE and school district when the school district reported no and/or few incidents.

Our analysis of the incident data included at Appendix F for the five years 2002-2003 through 2006-2007 found approximately 43 percent of Missouri school districts did not report incidents during 1 or more years and 21 school districts did not report any incidents in any of the 5 years. There was no documentation the DESE followed up with these school districts regarding the potential unreported incidents. Review of incident documentation and interviews with some of these districts found these districts had unreported incidents.

- Because of inaccurate discipline incident data on the Core Data system, various reports prepared from this data cannot be relied upon.

The DESE uses the Core Data system to prepare annual school accountability report cards as required by the Safe Schools Act and various reports to the federal government such as the annual Gun-Free

Schools Act (GFSA) report. In addition, the DESE utilizes the data to identify schools considered persistently dangerous as required by federal and state law.

- The Core Data system needs additional detail of discipline incidents to permit more effective analysis. The discipline incidents are categorized in only six types of offenses: 1) weapons, 2) alcohol, 3) drugs, 4) tobacco, 5) violent act, and 6) other. According to DESE personnel, only the minimum information required by the Safe Schools Act and the federal government is collected.

Our review of the data found most discipline incidents were reported as other. Of the approximately 350,000 incidents reported for the 2006-2007 school year, 333,000 (95 percent) of the incidents were reported as other. Officials from school districts interviewed indicated a wide range of incidents are reported as other including: disruptive behavior, bullying, insubordination, tardiness, profanity, and fighting. Several school districts indicated they evaluated data from their internal system rather than the Core Data system because the level of detail on the Core Data system was not sufficient for an effective analysis.

- The DESE does not ensure school districts are analyzing and utilizing the discipline data to improve school safety. According to officials from a few school districts interviewed, the school district did not analyze their discipline incidents and utilize the results to improve school district programs.

Although the MSIP standards prior to the 2006-2007 school year provided school districts use discipline data to modify programs and strategies to ensure safe and orderly schools, the DESE did not monitor to ensure school districts did this. The MSIP review procedures were limited to obtaining information from the school districts regarding any modifications to safety programs. According to DESE personnel, the MSIP review did not determine if school districts analyzed discipline incident data because there is no state law or regulation that requires school districts do this. Beginning in the 2006-2007 school year, the districts' use of discipline incident data is no longer addressed in the MSIP standards.

The failure to ensure the accuracy of the discipline incident data reported by the school districts prevents the DESE, school districts, General Assembly, and other interested parties from conducting an accurate analysis of the data and making an informed decision regarding school safety. Because reports on discipline data are used for various purposes, the DESE needs to ensure its reports are as accurate as possible. In order

to effectively analyze the incident data, it should be adequately detailed. Additionally, the DESE should require each school district evaluate its incident data and modify its safety programs, as needed.

6. The DESE needs to better communicate the Missouri Violence Prevention Curriculum Framework to the school districts, and monitor school districts' violence prevention programs. According to DESE personnel, the violence prevention framework is a resource for school districts to use in their violence prevention program(s).

- School districts may not be fully informed about the framework. From discussions with various DESE personnel, it appears the primary communication with school districts regarding the violence prevention framework occurred when the framework was adopted in 1998. The DESE does not include the framework on its website or include a review of the framework in its MSIP standards. As noted above, some school districts indicated they were not aware of the framework.
- The MSIP review does not evaluate school districts' violence prevention programs for compliance with the violence prevention framework. Many school districts interviewed indicated they had not adopted violence prevention programs in compliance with the violence prevention framework.

Beginning in the 2006-2007 school year, violence prevention programs were included in the MSIP standards and the MSIP procedures required the review of documentation supporting violence prevention programs for students and staff. However, there was no criteria for evaluating the adequacy of the programs for issues such as program content and objectives, grade levels trained, and percentage of students trained. Prior to the 2006-2007 school year, the review of violence prevention programs was limited to obtaining a list of staff programs provided and percentage of staff trained. We also noted that in two of three school districts which did not have violence prevention programs, the lack of such programs was not identified as a concern in the MSIP reports.

- The DESE has not obtained or otherwise evaluated school districts' data to determine whether the violence prevention framework adopted has been effective or successful. In response to this observation, DESE personnel indicated the framework is a guideline for the school districts; however, the school districts are not required to use it.

To assist school districts in developing effective violence prevention programs, the DESE needs to better communicate the Missouri Violence Prevention Curriculum Framework to the school districts and establish

procedures to monitor school district programs for compliance and adequacy. Also, the DESE should periodically evaluate if the framework is effective and successful in preventing and/or reducing school violence.

7. The Missouri School Violence Hotline may be underutilized. As noted above, some school districts and/or law enforcement agencies are operating their own school safety hotlines rather than using the state hotline and school districts are not adequately publicizing the state hotline.

The Department of Social Services (DSS), through a grant from the DPS, operates the state violence hotline. According to DSS records, the number of hotline calls received has increased each year, with almost 1,400 calls received in the 2006-2007 school year. However, each year, only approximately 250-380 calls were related to school violence incidents which were referred to schools and law enforcement. The DSS's most recent survey of people who called the hotline and the schools or law enforcement agencies the calls were referred to, indicated satisfaction with the hotline services.

According to DESE personnel, the department does not determine whether school districts are adequately communicating the state hotline to students, staff, and parents because there is no requirement in state laws or regulations that school districts utilize the hotline. However, the Safe Schools Working Group has recently identified the lack of publication of the availability of the hotline as a problem and is currently evaluating low-cost means of better publicizing the hotline number to Missouri residents. As noted above, many people believe a hotline helps create a safe environment for students and others.

The DESE and DSS should consider performing an evaluation of the publication of the hotline's availability by school districts and determine if improvements may be needed to increase awareness of the hotline.

8. The DESE did not adequately document its evaluations and determinations of persistently dangerous schools for fiscal years 2006 and 2007. To determine if a school meets the definition of a persistently dangerous school, the DESE analyzes the discipline incidents from its Core Data system.

Pursuant to the No Child Left Behind Act of 2001, 5 CSR 50-355.100 defines persistently dangerous schools and allows a student who attends a persistently dangerous school, or students who become victims of a violent criminal offense while on school grounds, to attend a safe school within the district. A Missouri public elementary or secondary school is considered persistently dangerous if 1) in each of three consecutive years the school has a federal/state gun-free school violation or a violent

criminal offense such as murder, kidnapping, assault, forcible rape or sodomy, burglary, robbery, distribution of drugs, arson, sexual assault, child molestation, or sexual abuse committed on school property and 2) in any two years of the three year period, school expulsions for drug, alcohol, weapons or violence exceed certain rates.

The DESE's spreadsheets used to evaluate and determine persistently dangerous schools did not include all relevant information such as weapons violations by school and enrollment data for all required years. In addition, the DESE did not maintain documentation of follow-up performed by area supervisors, when an initial evaluation indicated a school might meet the persistently dangerous school criteria. According to DESE personnel, no Missouri school has been identified as a persistently dangerous school.

The DESE needs to ensure the annual reviews and determinations of persistently dangerous schools are adequately documented.

9. The DESE did not accurately report the number of incidents where students brought firearms to school to the federal government in the 2005-2006 school year GFSA report. The GFSA report listed only 9 firearm incidents, while the Core Data system showed 110 firearm incidents. However, because of the deficiencies with the discipline incident data in the Core Data system noted above, it is unclear how many firearms incidents actually occurred in the 2005-2006 school year.⁸

According to DESE personnel, the department changed its procedures to report only firearm incidents involving an expulsion rather than reporting all firearm incidents. However, the report instructions state "any student found to have brought a firearm to school or possessed a firearm at school should be reported as an infraction, even if the expulsion is shortened or no penalty is imposed."

The DESE should consider amending the 2005-2006 GFSA report and ensure future reports include all firearm incidents as instructed.

⁸ The 2006-2007 school year report had not been submitted at the time of our review.

WE RECOMMEND the DESE:

- B.1 In conjunction with the General Assembly and DPS, Office of Homeland Security, designate an entity to coordinate and monitor safe schools programs, initiatives, and funding. State agencies also need to coordinate their various safe schools programs available to school districts and to improve collaboration among agencies to increase the efficiency and effectiveness of the safe schools programs.
2. In conjunction with the General Assembly; DPS, Office of Homeland Security; other state agencies; and school districts consider whether additional laws or regulations are needed to help strengthen the security and safety of Missouri schools.
 3. Improve its policies and procedures used to review and monitor school districts' safe schools issues. The DESE should also consider requiring school districts to periodically conduct self assessments of safety policies and procedures and evaluate the assessments during the MSIP review or at another time. Additionally, the MSIP procedures performed should be sufficiently documented and the DESE should consider making MSIP reports and/or significant portions of the reports available on their website.
 4. Analyze the MSIP survey results on a statewide basis to evaluate the perception of safety in schools and to identify areas that may need improvement. Also, the DESE should consider requiring school districts to use the survey results for needed changes to their safety policies, procedures, and programs.
 5. Establish policies and procedures to ensure school districts accurately report their discipline incident data, and require each school district evaluate its incident data and modify its safety programs, as needed. Also, the DESE should consider expanding the type of offenses which should be reported.
 6. Increase guidance to school districts regarding the Missouri Violence Prevention Curriculum Framework requirements and evaluate whether school districts' programs are adequate. The DESE should also consider periodically evaluating whether the framework is effective and successful in preventing and reducing school violence.
 7. In conjunction with the DSS and DPS, Office of Homeland Security, periodically evaluate the utilization of the state school violence hotline to determine if improvement may be needed to increase awareness of the hotline.
 8. Adequately document its evaluation and determination of whether a school is a persistently dangerous school.

9. Consider amending the 2005-2006 GFSA report. Also, the DESE needs to ensure all firearm incidents are included in future reports, as provided by the report instructions.

AUDITEE'S RESPONSE

B.1-3,

6&7. DESE will take these under advisement.

B.4. DESE currently analyzes the survey results on a statewide basis. Districts are required to address survey results as part of their accountability plan through the Regional School Improvement Teams (RSIT) process.

B.5. DESE currently has policies and procedures in place to enable school districts to report timely, accurate data.

B.8. DESE has taken steps to collect the data needed to make this determination.

B.9. DESE will make the amendment to the 2005-2006 GFSA report.

AUDITEE'S OVERALL RESPONSE

DESE has the following overall concerns with the audit report:

- The use of "often," "many," and "most" appeared arbitrary and did not accurately reflect the number of occurrences for each issue. For example, the report cited: "The MCSS reports noted **many** school districts did not conduct periodic safety inspections of the buildings and grounds."*
- The items listed under "significant problems related to safe schools issues" were based more on the Missouri Center for Safe Schools (MCSS) standards rather than upon statute or DESE policy.*
- MCSS findings were cited throughout the report. MCSS is a private entity and has established its own standards and recommendations for school safety. MCSS standards are not exclusively statutory nor are they governed by DESE.*

AUDITOR'S COMMENT TO AUDITEE'S OVERALL RESPONSE

The perimeters for our use of the terms "few", "some", "many", and "most" are clearly defined in Appendix B of this report, along with the school safety issues reviewed and the number of exceptions in each case. Since all of this information was provided to officials of the DESE, the basis for their response is not clear.

Since the MCSS plays a significant role in school district safety issues and training and has received substantial funding from the DESE to carry out these functions, it only seemed appropriate that we consider information related to the MCSS when reviewing safe schools initiatives.

HISTORY AND
STATISTICAL INFORMATION

SAFE SCHOOLS INITIATIVES HISTORY AND STATISTICAL INFORMATION

The Missouri Safe Schools Act was passed in 1996 to satisfy the requirements of the federal Gun-Free Schools Act (GFSA) of 1994. The GFSA requires that each state receiving federal education funds must have a state law requiring local educational agencies to expel for a period of not less than one year a student who brings a weapon to school. However, superintendents are allowed to alter the penalty on a case-by-case basis. The Safe Schools Act addressed this requirement, as well as many other school safety issues.

The Safe Schools Act originated from House Bill No. 1298 and 1301 and has been subsequently amended, with significant changes in 2000 by Senate Bill No. 944. While there are other state laws addressing school safety, most are outlined in this act. The requirements of the Safe Schools Act, together with these other laws are referred to in this report as "safe schools provisions". The safe schools provisions provide requirements for school districts, law enforcement officials, and some state agencies. School district requirements primarily include: policy development, student admission and enrollment, reporting and record keeping, and certain areas of school safety. Law enforcement requirements address reporting of crimes committed by students. State agency requirements primarily include: teacher background checks, violence prevention programs, school district monitoring, grants to school districts and services to students, immunization requirements, and information sharing.

With the exception of the Safe Schools Grant Program funding, the safe schools provisions did not provide funding to school districts or state agencies to implement the requirements and programs outlined in the provisions. In addition, during the years subsequent to the passing of the act, the state as well as school districts experienced budget reductions, providing financial challenges to complying with the act's provisions. As a result, some programs provided by the act have been discontinued or were never implemented. For example, Section 160.700, RSMo, provided for the establishment of the National Guard Pilot Instruction Program to serve public middle school students using military training and motivation methods, and Section 161.235, RSMo, provided for the Department of Secondary and Elementary Education (DESE) to establish a grant program for student suicide prevention programs. Neither of these programs were ever established because of the lack of funding.

Recent Legislative Initiatives

Several bills addressing school safety issues were introduced in the 2008 legislative session; however, only one of these bills passed. These bills include:

- Senate Bill No. 818 amended the Safe Schools Act by adding harassment and stalking to the list of crimes that school administrators must report to appropriate law enforcement agencies.
- House Bill No. 1722 would have amended various sections of the Safe Schools Act and included the requirement that the DESE add to the Missouri School Improvement Program (MSIP) a provision to the school facilities and safety criteria that certain

drills be conducted at least annually and that staff receive sufficient training on school districts' security and crisis management plan.

- House Bill No. 2124 would have provided \$1.5 million annually beginning in fiscal year 2010 to the DESE to establish a statewide center for school safety and school violence prevention. The center would offer safety-related services and resources to all public schools in the state. Also, the School Safety and School Violence Prevention Fund would have been created.
- Senate Bill No. 715 would have provided \$9 million to school districts (distributed based on attendance) for salaries, equipment, training, and other expenses to improve school safety, and would have required school districts to establish intruder lock-down procedures and annual drills to receive funding.
- Senate Bill No. 762 and House Bill No. 2316 would have modified the definition of "bullying" to include cyber bullying and electronic communications.
- Senate Bill No. 1212 (Student Protection Act) would have 1) amended the Safe Schools Act to require school district superintendents to forward student reports of alleged sexual misconduct by a teacher or other school employee to the Department of Social Services, Children's Division within 24 hours; 2) required school districts to develop written policies concerning teacher-student communication and employee-student communications by January 1, 2009; 3) required school districts to include in teacher and employee training a component that provides information on identifying signs of sexual abuse in children and of potentially abusive relationships between children and adults, with an emphasis on mandatory reporting by January 1, 2009; 4) required crimes of sexual contact with a student while on public school property as well as second and third degree sexual misconduct to be added to the offenses for which a teacher's license or certificate may be revoked; and 5) required certain state agencies to improve background check procedures of teachers and other school district employees.

State Initiatives

Recent state initiatives to assist school districts in improving school safety include:

- In April 2006, the Governor's Homeland Security Advisory Council established the Safe Schools Working Group. This group, which is co-chaired by the Department of Public Safety (DPS), Office of Homeland Security and the DESE, consists of representatives from school districts, law enforcement agencies, emergency responders, state agencies, and other related entities across the state, and meets every other month. The group has worked on various school safety-related issues, including school emergency planning tools and systems, hazardous chemicals in schools, bullying in the classroom, and pandemic influenza planning.

- A significant safe schools initiative led by the Safe Schools Working Group is the expansion of a web-based emergency school planning tool, Emergency Response Information Plan (ERIP), which will address all hazards. The development of the ERIP was funded with federal homeland security monies.

The ERIP is free to public and non-public K-12 schools, higher education institutions, and licensed childcare centers to assist in planning and training for all types of emergency events; and will allow law enforcement, fire, and other emergency responders to access participating schools' floor plans and other critical information via the web portal when responding to school emergencies. The ERIP was available to K-12 schools and higher education institutions in the fall 2007 and will be available to licensed childcare centers in the spring 2008.

According to DPS officials, as of March 2008, approximately 52 percent of Missouri public school districts (educating 76 percent of public school students), 18 private school districts, and 19 higher education institutions have begun utilizing the ERIP system.

- In fall 2007, through a partnership with the DPS and the Missouri School Boards' Association (MSBA), the Missouri Alert Network was implemented. This network is a rapid notification system for K-12 schools and higher education institutions.

In the event of a statewide emergency or other situation that might have an impact on school security, the DPS can simultaneously deliver a message to officials at participating schools and higher education institutions. Messages would be delivered by telephone (landline or cellular), text, and/or email. School districts (public and non-public) and higher education institutions are provided this service for one contact person, and may purchase the service from the MSBA for \$100 per year for each additional contact. According to DPS officials, as of March 2008, 91 percent of Missouri public school districts and 17 higher education institutions were registered with the Missouri Alert Network.

- The MSBA partnered with the DPS, Office of Homeland Security, and Department of Health and Senior Services to host the First Annual Conference on Coordinated School Safety and Security in August 2007. School districts were invited to attend and learn about various issues involving school safety. A second conference is planned for August 2008.
- In April 2007, the Governor appointed the Missouri Campus Security Task Force to evaluate Missouri's campus emergency response plans, identify best practices, and make recommendations for ways to ensure Missouri college campuses are safe. The task force issued a report¹ of its findings and recommendations in August 2007.

¹ *Securing Our Future: Making colleges and universities safe places to learn and grow, Report on Findings and Recommendations*, Missouri Campus Security Task Force, August 21, 2007.

Missouri School Improvement Program (MSIP)

Missouri school districts receive a MSIP review once in a five-year cycle. The MSIP objectives include: assessing the strengths and needed improvements in educational programs and services, organizing staff and other resources to support school improvement efforts, and developing and implementing a formal plan to improve educational programs. The review process covers all significant aspects of school districts' responsibilities, including student performance, course offerings and curriculum, class sizes, staffing, and school services.

During the most recently completed MSIP cycle (2002 to 2006 school years), school districts received either a full review or a full waiver. A full review consisted of a several-day review conducted by a team of DESE employees and educators from across the state selected by the DESE. The results of the review were documented in a report. A full waiver consisted of a visit by the school district's DESE area supervisor, who documented his/her review by completing a limited MSIP checklist. About 39 percent of school districts received a MSIP full waiver in the most recently completed 5-year cycle, while all other school districts received a full review. Beginning with the current MSIP cycle (2007 to 2011 school years), DESE has made changes to the procedures for scheduling MSIP reviews and has increased the types of reviews performed based on the needs of the school districts.

Missouri Center for Safe Schools (MCSS)

The DESE has funded the MCSS with professional development grant funds since 1995. The MCSS provides various services to school districts including safety reviews; safety coordinator training; and training on the issues of violence prevention, bullying prevention, Internet safety, emergency response, fight intervention, conflict resolution, and other aspects of school safety.

The criteria used in the school safety reviews include: MSIP standards, Missouri Public Schools Safe Facilities Guide; Missouri Secondary Science Safety Manual; Uniform Building Code; publications and standards from other entities such as the Missouri School Boards Association, National Recreation and Park Association, National Fire Protection Association, U.S. Environmental Protection Agency, U.S. Department of Education, Safety and Health Administration, Federal Emergency Management Agency; and various state and federal laws and regulations.

In addition, the MCSS issues a quarterly newsletter and maintains a website² of resources for school districts to utilize. Also, the MCSS is represented on various boards and committees that address school safety. Since fiscal year 2002, the DESE has paid the MCSS over \$1.2 million.

Violence and Risky Behavior in Missouri Schools

According to DESE statistics collected in its discipline incident reporting system, for the 2006-2007 school year, Missouri school districts reported almost 350,000 school discipline incidents

² <http://education.umkc.edu/safe-school/>

in which students were suspended for one-half day or more. A schedule of discipline incidents reported by school districts for the last five years is included in Appendix F of this report.

Many of those incidents involved weapons; violent acts (acts resulting in a serious bodily injury that involves a substantial risk of death; extreme physical pain; protracted and obvious physical disfigurement; or protracted loss or impairment of the function of a bodily member, organ or faculty), or possession or illegal use of drugs, alcohol, and tobacco.

For school districts reviewed, students who brought weapons to school received varying lengths and types of suspensions. Superintendents frequently modified the penalties, as allowed by the Safe Schools Act. School administrators stated that factors including the age of the child, type of weapon, and the intent are considered when determining the punishment for weapons violations. They also indicated they believed a student's education should be disrupted as little as possible, not only for the student's benefit, but for the community as a whole.

In addition to discipline incidents, surveys taken by students and school district personnel confirm student violence and other risky behavior is occurring in Missouri schools. As included in Appendix E of this report, students reported carrying a weapon to school, being in a physical fight and/or being threatened or injured with a weapon, or using alcohol, drugs, or tobacco at school. Teachers also reported violent behavior at school, including being physically attacked by a student and threatened with injury by a student.

Additionally, school districts' alternative education programs for disruptive students are inconsistent throughout the state and students suspended or expelled may not be receiving alternative education. The Safe Schools Act provides that school districts may enroll students who have been suspended or expelled in an alternative education program if they determine the enrollment is appropriate. According to school districts' incident data reported to DESE, only a few students suspended or expelled during the 2006-2007 school year were provided with an alternative placement.

Students' Feelings about Safety

As included in Appendix D in this report, 12 percent of the students indicated they do not feel safe at school, and 17 percent indicated they do not believe their school buildings were in good condition. Also, some students did not go to school because they felt unsafe at school or on their way to or from school. Although the percentage of respondents from school districts within cities who believed their schools were safe and the buildings were in good condition was generally lower than respondents from school districts within rural areas, towns, and suburbs, the differences were not significant.

The DESE and school district officials indicated student feelings on being safe at school were affected by factors relating to both school and non-school issues. For example, DESE officials believed that nationwide issues involving school safety, such as school shootings in other schools in other states, affect the Missouri students' feelings on safety. Some school district officials believed students' feelings on safety in their community and at home also affect their feelings about safety at school.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

The Missouri Safe Schools Act, which passed in 1996, originated from House Bill No. 1298 and 1301. There have been subsequent amendments to the act with significant changes made by Senate Bill No. 944 in 2000. The requirements of the Safe Schools Act, together with other laws that cover school safety issues are referred to in this report as "safe schools provisions". Following is an overview of the significant safe schools provisions. Refer to the Missouri Revised Statutes (RSMo) for specific statutory language. Statutes included in House Bill Numbers 1298 and 1301 and Senate Bill Number 994 are identified with an "*".

RSMo

Reference

Summary

Requirements of School Districts

160.261* School districts must establish a written discipline policy containing the following requirements:

- 1) School administrators must report certain acts of school violence to school district employees with a need to know. Need to know employees are directly responsible for the student's education or interact with the student on a professional basis while acting within the scope of their assigned duties.
- 2) School administrators must report to the appropriate law enforcement agency, certain felonies committed on school property or while involved in school activities.
- 3) With exceptions, any student suspended for a Safe Schools Act violation should not be allowed to be within 1,000 feet of any school in the district while suspended.
- 4) A student who brings a gun to school or a school activity must be suspended for a period of not less than one year, or expelled. The superintendent may modify such suspension on a case-by-case basis.

Also, the policy must address the school district's position on corporal punishment and be distributed to students and parents at the beginning of each year. Annually, all district employees must be trained on the policy.

167.117* School principals must immediately report to law enforcement and the superintendent certain incidents occurring on school property or while involved in school activities including: first, second, or third degree assault; sexual assault; or deviate sexual assault against a student or school employee and if a student has possession of certain controlled substances or weapons. A teacher must report to the principal any of the designated incidents or a pupil in possession of a controlled substance or weapon.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

RSMo Reference	Summary
167.161*	School districts may, after notice and a hearing, suspend or expel a pupil for conduct which is "prejudicial to good order and discipline in the schools or which tends to impair the morale or good conduct of the pupils". Also, school districts may authorize the removal of a student if the student poses a threat of harm to his/herself or others. Removal of a student with a disability is subject to state and federal procedural rights. In addition, school districts, after notice and a hearing, may suspend a student if the student has been charged, convicted or pled guilty in a court of a felony criminal violation of law.
167.115*	School districts must notify the appropriate division of juvenile or family court if a student is suspended for more than 10 days or expelled if the school district is aware the student is under the court's jurisdiction.
167.171*	When a student is suspended for more than 10 school days, the student has the right to appeal the suspension to the school board. Prior to readmitting or enrolling a student who has been suspended for more than 10 consecutive school days for certain acts of school violence, a conference must be held to review the conduct which resulted in the suspension. School districts cannot, however, readmit or enroll a student who had been convicted of, been charged with, or had a petition filed alleging certain acts including: murder, assault, forcible or statutory rape, robbery, distribution of drugs to a minor, arson, or kidnapping. This section does not apply to a student with a disability if the action was related to the disability. School district may carry out a suspension or expulsion imposed by another in-state or out-of-state school district, private or public school if similar conduct in that school district would also have resulted in suspension or expulsion. Also, school districts may enroll the student in an alternative education program if they determine the enrollment is appropriate.
160.522*	School districts should report to the Department of Elementary and Secondary Education (DESE) the number and rate of suspensions of 10 days or longer and expulsions of students.
160.660*	School districts' designated safety coordinator should have a thorough knowledge of all federal, state, and local school violence prevention programs and resources available. School districts are to use all such programs and resources that are determined to be necessary and cost-effective for the district.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

RSMo Reference	Summary
162.680*	School districts, to the maximum extent appropriate, must educate disabled and severely disabled children along with children who do not have disabilities in regular classes, except when a disability results in violent behavior which causes a substantial likelihood of injury to the student or others. Then the school district must remove the child to a more appropriate placement.
167.020,* 167.023,* 475.060,* and 475.070*	A student must establish proof of residency in order to register in a school district or request a waiver prior to enrollment. Prior to enrolling a student, school districts may require the parent/legal guardian to provide a sworn statement indicating whether the student has been expelled from any public or private school for a violation of a weapons, alcohol or drug policy or for the willful infliction of injury to another. School districts must request within two business days of enrollment the student's records, including discipline records, from all schools attended within the past twelve months. School districts receiving the request must respond within five days. Any person may file a petition for the appointment a guardian of a minor for the sole and specific purpose of school registration.
160.480	In the case of a natural disaster or other community emergency, school districts are authorized to adopt an emergency preparedness plan allowing the use of school resources, including school facilities, commodity foods, school buses, and equipment.
160.775	School districts must adopt an antibullying policy by September 1, 2007. The policy may address age appropriate differences and must contain the consequences of bullying. In addition, the policy must 1) require school district employees to report any instance of bullying of which the employee has firsthand knowledge and 2) include training of employees on the policy.
168.133	School districts must ensure criminal background checks are conducted on new employees prior to having contact with a student. Individuals required to have a background check include, but are not limited to, administrators, teachers, assistants, aides, secretaries, cooks, custodians, bus drivers, and nurses.
302.272*	School bus drivers must 1) have received a school bus endorsement from the Department of Revenue (DOR), 2) comply with the pertinent rules and regulations of the DOR and any final rule issued by the U.S. Department of Transportation, or 3) have a valid school bus endorsement on a valid commercial driver's license issued by another state.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

RSMo Reference	Summary
160.451, 160.453, 160.455, and 160.457	Certain school districts located in the area of the New Madrid Fault must establish, with the assistance of the state emergency management agency and any local emergency management agency, an earthquake emergency procedure system. The system should include, at a minimum: 1) a school building disaster plan; 2) semi-annual earthquake emergency drills; 3) protective measures to be taken before, during and following an earthquake; and 4) training on the system. At the beginning of each school year, each school district in the state must distribute certain earthquake safety materials to each student. School districts not located in the area of the New Madrid fault may elect to prepare an earthquake emergency procedure system.
167.627*	School districts must grant students authorization for possession and self-administration of medication to treat asthma or anaphylaxis if certain requirements are met.
167.624*	School districts may implement a program to train students in cardiopulmonary resuscitation (CPR) and other lifesaving methods. Completion of the program may be a requirement for graduation.
167.166	A strip search of a student may be conducted by, or under the authority of, a law enforcement officer. No employee of or volunteer at public and charter schools may perform a strip search of any student unless a law enforcement officer is not available and if the school employee reasonably believes that a student possesses a weapon, explosive, or substance that poses an imminent threat of physical harm to himself/herself or others. A strip search may not "include the removal of clothing in order to investigate the potential abuse or neglect of a student; give medical attention to a student; provide health services to a student; or screen a student for medical conditions."
167.029*	The St. Louis school district may adopt a policy requiring school uniforms.
304.076*	Buses transporting children to or from a federal Head Start program must have signs indicating that it is a Head Start school bus.
170.260*	With certain conditions, school districts may offer motivated classes and/or programs.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

RSMo

Reference

Summary

Requirements of State Agencies

168.021 and 168.071	The DESE must conduct background checks on applicants prior to issuing teaching certificates, and may suspend, revoke, or refuse educator certificates if an individual has pled or been found guilty of a felony or a crime involving moral turpitude. The DESE also has the authority to determine if an individual with a criminal history should be issued a certificate to teach or if the holder of an educator certificate should be disciplined.
161.650*	The DESE must adopt a violence prevention program(s) for use in public school districts. The program is to encourage nonviolent conflict resolution, alternative constructive activities, and community participation. School districts may, but are not required, to administer this program.
160.660*	The DESE must include school facilities and safety criteria in the Missouri School Improvement Program (MSIP).
167.026*	The DESE must adopt a policy regarding the expungement of discipline records. School districts may adopt an expungement policy consistent with the DESE policy.
167.335*	The Safe Schools Grant Program, within the DESE, was established to award grants to school districts to provide alternative educational opportunities for students which cannot be adequately served in the traditional classroom setting due to disruptive behavior.
161.235*	A grant program, within the DESE, was established to award grants to school districts and other entities to provide student suicide prevention programs.
160.700*	A pilot instruction program was established for public middle school students using military training and motivation methods. The program was to be administered jointly by the DESE, Department of Social Services (DSS), and national guard.
167.181	The Department of Health and Senior Services (DHSS) must prepare, supervise and enforce rules and regulations governing the immunization of children attending public and private schools against certain diseases. Children may be exempt from immunization under certain criteria.

Appendix A

SAFE SCHOOLS INITIATIVES OVERVIEW OF SAFE SCHOOLS PROVISIONS

RSMo Reference	Summary
210.865*	Certain state agencies including the DSS, DESE, DHSS, and Department of Mental Health (DMH), juvenile courts, and school districts are required to share information regarding individual children who have received services from these agencies and courts. The sharing of information is subject to all existing laws pertaining to the confidentiality of information.

Requirements of Law Enforcement Agencies

167.115*	A juvenile officer, sheriff, chief of police, or other appropriate law enforcement authority must notify school districts, as soon as reasonably practical, when a student has committed certain acts including: murder, kidnapping, assault, forcible rape, burglary or robbery, distribution of drugs to a minor, manslaughter, sexual assault, possession of a weapon, and sexual misconduct involving a child. School districts must report such information to teachers and other school district employees with a need to know. After the disposition of the case, the school district should also receive written notification, including a brief summary of relevant facts, no later than five days following the disposition of the case.
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The safe schools provisions also outline the requirements and penalties for the following crimes:

195.214*	Distribution of a controlled substance near schools.
565.075*	Assault while on school property.
566.086	Sexual contact with a student while on public school property.
569.155*	Trespass of a school bus.
571.030*	Unlawful use of weapons.
574.085*	Institutional vandalism.
574.115*	Making a terrorist threat.
575.090*	Making a false bomb report.
566.147 and 566.149	Certain sexual offenders are not to reside within 1,000 feet of a school or childcare facility or be present within 500 feet of school property.

Appendix B

SAFE SCHOOLS INITIATIVES SCHEDULE OF RESULTS OF SCHOOL DISTRICT REVIEWS

We interviewed school district personnel from 25 school districts, included at Appendix C, and reviewed related policies and procedures, and other documents supporting the school districts' programs involving safety. In addition, we reviewed the Missouri School Improvement Program (MSIP) review reports for these school districts conducted during the 2002-2003 through 2006-2007 school years by the Department of Elementary and Secondary Education (DESE) for issues related to school safety. We also reviewed the Missouri Center for Safe Schools (MCSS) school safety review reports conducted at 24 school districts during the 2006-2007 school year.

In this report, we considered the error rate up to 10 percent to be few exceptions, the error rate between 11 percent to 25 percent to be some exceptions, the error rate of 26 percent to 75 percent to be many exceptions, and the error rate of 76 percent to 99 percent to be most exceptions.

The results of the interviews and reviews are documented below:

Safe Schools Issues Reviewed	Number of Exceptions
School District Discipline Policies	
School district discipline policies did not clearly outline the consequences for each act of misconduct.	9
School district discipline policies did not require school administrators to report student acts of school violence to teachers and other school district employees who interact with that student.	10
MCSS report noted problems with school district's procedures for maintaining records of students who received long-term suspensions, and passing that information to teachers and other school district employees responsible for the student as the student is promoted or transferred.	18
School district discipline policies did not provide that students suspended for serious violations of the discipline policies were prohibited from being within 1,000 feet of any school within the school district during the suspension period.	7
MCSS report noted the 1,000 feet requirement (see above) was not in the school district's policy.	3
School district discipline policies did not provide for a one-year suspension for all applicable types of weapons required by the Safe Schools Act.	1
MCSS report identified weaknesses with policies regarding weapons.	8

Appendix B

SAFE SCHOOLS INITIATIVES SCHEDULE OF RESULTS OF SCHOOL DISTRICT REVIEWS

Safe Schools Issues Reviewed	Number of Exceptions
School district discipline documents distributed to students and parents conflicted with or did not contain all information from the school district's discipline policy and/or were not in compliance with the safe schools provisions.	15
MCSS report noted weaknesses in the discipline policy documentation distributed by the school districts.	14
School district website* did not include a complete record of the school district's discipline policies.	8
School district website* did not include the student handbooks and/or discipline guides for all schools in the district.	8
MSIP review report noted school district was not obtaining signatures from parents and students acknowledging receipt of the discipline policy.	2
Discipline Incident Data	
School district incorrectly reported discipline data for the 2004-2005 and/or 2005-2006 school year.	10
School District Violence Prevention Programs	
School district had not developed violence prevention programs in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.	15
MCSS report noted significant weakness in school district's violence prevention programs.	20
MSIP report indicated a lack of violence prevention training for staff.	4
MSIP report noted the frequency of training sessions and percentage of staff trained varied between school districts.	7
Antibullying Policies	
School district's antibullying policies lacked significant provisions such as a requirement that school district employees report instances of bullying and/or employee training on the policy.	8
School district had not adopted antibullying policies.	1

Appendix B

SAFE SCHOOLS INITIATIVES SCHEDULE OF RESULTS OF SCHOOL DISTRICT REVIEWS

Safe Schools Issues Reviewed	Number of Exceptions
Safety Committees	
School district indicated they did not have a safety committee.	3
MCSS report noted school district had not established a safety committee.	7
MCSS report noted, for school districts with a safety committee, improvements were needed in the representation on the committee and frequency of committee meetings.	12
Emergency Management Plans	
MCSS report noted weaknesses in the school district's plans and procedures to respond to emergency situations.	24
MCSS report recommended school district better train and prepare school district staff for threatening and emergency situations.	24
MCSS report recommended safety information be included in employee handbooks.	22
Intruder, Bomb Threat, and Environmental Hazard Drills	
MSIP report indicated school district did not conduct periodic drills for intruders.	9
MSIP report indicated school district did not conduct periodic drills for bomb threats.	10
MSIP report indicated school district did not conduct periodic drills for environmental hazards.	17
MCSS report noted deficiencies in the number of fire, tornado, and earthquake drills performed and/or in drill procedures and records.	14
MCSS report noted school district was not periodically conducting other emergency exercises (such as tabletop, functional, or full scale exercises) in addition to drills.	15
Safety Reviews	
MCSS report noted school district had not conducted periodic safety inspections of the building grounds.	8

Appendix B

SAFE SCHOOLS INITIATIVES SCHEDULE OF RESULTS OF SCHOOL DISTRICT REVIEWS

Safe Schools Issues Reviewed	Number of Exceptions
MCSS report noted, for school districts which had performed safety inspections, improvements such as increasing the frequency of inspections and safety meetings, improving inspection procedures, and/or maintaining documentation of inspections were needed.	7
MCSS report noted various inspections of school district facilities such as asbestos abatement, carbon monoxide and radon, drinking water from wells, and fire were not performed by external inspectors.	22
MCSS report listed various physical safety hazards on school property.	24
MCSS report indicated school district was not adequately collecting and analyzing data on accidents which occurred on school district property; and utilizing the data to develop strategies to reduce accidents.	9
Control Access to School Buildings	
MCSS report noted improvement in the procedures to control access to all school buildings and instructional areas was needed.	12
Internet Safety	
School district indicated it did not provide Internet safety training for students, staff, and/or parents.	10
MCSS report noted Internet safety training programs did not exist or were inadequate; and contained suggestions that school district utilize free training programs and resources available from various entities.	18
Sex Offender Registries	
MCSS report included recommendations to improve monitoring of sex offender registries for sex offenders that live near and/or come onto school property and to report sex offender information to law enforcement.	8
School Violence Hotline	
School district indicated it did not inform the school community of the availability of the Missouri School Violence Hotline (state).	9
School district website* did not include the state hotline number.	21
School district student handbooks did not include the state hotline number.	22

Appendix B

SAFE SCHOOLS INITIATIVES SCHEDULE OF RESULTS OF SCHOOL DISTRICT REVIEWS

Safe Schools Issues Reviewed	Number of Exceptions
MCSS report included recommendations to add instructions to student handbooks to take threats seriously and promptly report them to a school official and to promote/better promote the state hotline in student handbooks, staff handbooks, and/or posters or other materials available from the hotline.	21

*23 school districts had websites.

Appendix C

SAFE SCHOOLS INITIATIVES SCHEDULE OF SCHOOL DISTRICTS REVIEWED

	County	School District	2006-2007 School Year Enrollment
1	Bates	Rich Hill R-IV	423
2	Boone	Columbia 93	17,090
3	Butler	Poplar Bluff R-I	4,849
4	Cass	Harrisonville R-IX	2,613
5	Clay	Liberty 53	9,277
6	Cole	Jefferson City	8,235
7	Franklin	Meramec Valley R-III	3,664
8	Franklin	Union R-XI	2,913
9	Harrison	Gilman City R-IV	154
10	Jackson	Kansas City 33	26,943
11	Lafayette	Concordia R-II	534
12	Lafayette	Lafayette Co. C-1	1,050
13	Maries	Maries Co. R-I	577
14	Morgan	Morgan Co. R-I	739
15	Pemiscot	Hayti R-II	865
16	Pemiscot	Pemiscot Co. R-III	142
17	Polk	Bolivar R-I	2,581
18	Pulaski	Richland R-IV	657
19	St. Louis	Hazelwood	19,269
20	St. Louis	Maplewood-Richmond Heights	1,024
21	St. Louis	Special School District St. Louis Co.	2,087
22	St. Louis	Wellston	633
23	Texas	Summersville R-II	432
24	Vernon	Nevada R-V	2,664
25	Washington	Kingston K-14	806

Appendix D

SAFE SCHOOLS INITIATIVES DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP) SURVEY RESULTS

Respondent	2001-2002 through 2005-2006 School Years			2006-2007 School Year		
	Strongly Agree/ Agree	Neutral	Disagree/ Strongly Disagree	Strongly Agree/ Agree	Neutral	Disagree/ Strongly Disagree
Students (1)	<i>Question: I feel safe at school.</i>					
Rural	71%	18%	11%	69%	20%	11%
Town	68%	20%	12%	67%	21%	12%
Suburb	69%	20%	11%	70%	20%	10%
City	65%	21%	14%	74%	17%	9%
Statewide	69%	19%	12%	69%	20%	11%
Parents	<i>Question: I feel my child is safe at school.</i>					
Rural	82%	13%	5%	82%	13%	5%
Town	79%	15%	6%	80%	14%	6%
Suburb	82%	13%	5%	87%	10%	3%
City	77%	16%	7%	85%	12%	3%
Statewide	81%	14%	5%	83%	12%	5%
Faculty	<i>Question: I feel safe at this school.</i>					
Rural	97%	2%	1%	94%	4%	2%
Town	96%	3%	1%	93%	4%	3%
Suburb	94%	4%	2%	93%	5%	2%
City	92%	5%	3%	88%	9%	3%
Statewide	95%	3%	2%	93%	5%	2%
Support Staff	<i>Question: I feel safe at this school.</i>					
Rural	92%	6%	2%	88%	9%	3%
Town	88%	8%	4%	84%	11%	5%
Suburb	86%	9%	5%	85%	10%	5%
City	85%	10%	5%	*	*	*
Statewide	88%	8%	4%	86%	10%	4%

(1) Students in grades 3-12

* No respondents for this location.

Appendix D

SAFE SCHOOLS INITIATIVES DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP) SURVEY RESULTS

Respondent	2001-2002 through 2005-2006 School Years			2006-2007 School Year		
	Strongly Agree/ Agree	Neutral	Disagree/ Strongly Disagree	Strongly Agree/ Agree	Neutral	Disagree/ Strongly Disagree
Students (2)	<i>Question: My school building is in good condition.</i>					
Rural	62%	22%	16%	58%	23%	19%
Town	59%	23%	18%	53%	26%	21%
Suburb	62%	22%	16%	58%	26%	16%
City	56%	24%	20%	*	*	*
Statewide	61%	22%	17%	57%	25%	18%
Parents	<i>Question: My child's school building is in good condition.</i>					
Rural	77%	14%	9%	76%	15%	9%
Town	76%	14%	10%	76%	13%	11%
Suburb	82%	12%	6%	87%	9%	4%
City	73%	17%	10%	88%	9%	3%
Statewide	78%	14%	8%	80%	12%	8%
Faculty	<i>Question: Overall, my school building is in good condition.</i>					
Rural	84%	8%	8%	80%	9%	11%
Town	78%	10%	12%	76%	10%	14%
Suburb	80%	9%	11%	85%	8%	7%
City	79%	10%	11%	79%	11%	10%
Statewide	81%	9%	10%	81%	9%	10%
Support Staff	<i>Question: Overall, my school building is in good repair. (3)</i>					
Rural	75%	14%	11%	76%	14%	10%
Town	68%	18%	14%	68%	18%	14%
Suburb	71%	17%	12%	77%	14%	9%
City	71%	17%	12%	*	*	*
Statewide	72%	16%	12%	74%	15%	11%

(2) Students in grades 6-12 were surveyed in the 2001-2002 through 2005-2006 school years and students in grades 9-12 were surveyed in the 2006-2007 school year.

(3) Question was modified in the 2006-2007 school year to "Overall, my school building is in good condition".

Appendix D

SAFE SCHOOLS INITIATIVES

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP) SURVEY RESULTS

SURVEY RESPONSES

Responses were received from 101 and 521 school districts in the 2006-2007 and 2001-2002 through 2005-2006 school years, respectively. The tables below identify the total number of responses received by type of respondent for each question.

Question on feeling safe

	Number of Survey Respondents School Year	
	2001-2002 through 2005-2006	2006-2007
Students	1,122,163	210,870
Parents	802,475	150,159
Faculty	123,689	23,162
Support staff	29,019	5,501
Total	2,077,346	389,692

Question on building condition

	Number of Survey Respondents School Year	
	2001-2002 through 2005-2006	2006-2007
Students	722,599	80,954
Parents	799,804	150,207
Faculty	123,529	23,193
Support staff	28,535	5,470
Total	1,674,467	259,824

Surveys are administered at each school district once in a five-year cycle as part of the MSIP review process. MSIP Cycle Three included the 2001-2002 through 2005-2006 school years, and MSIP Cycle Four currently includes the 2006-2007 through 2010-2011 school years. Survey results for MSIP Cycle Three represent the feelings of individuals from all school districts, while survey results for MSIP Cycle Four represent the feelings of individuals from school districts which had a review in the 2006-2007 school year only.

LOCATION DEFINITIONS

Rural	Territory outside an urbanized area and outside an urban cluster. Includes schools in rural areas up to 5 miles from an urbanized area and 2.5 miles from an urban cluster (e.g. Boonville R-I School District), rural areas between 5 and 25 miles from an urbanized area and between 2.5 and 10 miles from an urban cluster (e.g. Harrisburg R-VIII School District), and rural areas more than 25 miles from an urbanized area and 10 miles from an urban cluster (e.g. Dadeville R-II School District).
Town	Territory outside an urbanized area and inside an urban cluster. Includes schools within towns up to 10 miles from an urbanized area (e.g. Meramec Valley R-III School District), towns between 10 and 35 miles from an urbanized area (e.g. Warrensburg R-VI School District), and towns more than 35 miles from an urbanized area (e.g. Hayti R-II School District).
Suburb	Territory inside an urbanized area and outside a principal city. Includes schools within large suburbs with a population of 250,000 or more (e.g. Kirkwood R-VII School District), midsize suburbs with a population between 100,000 and 250,000 (e.g. Nixa R-II School District), and small suburbs with a population of less than 100,000 (e.g. Lee's Summit R-VII School District).
City	Territory inside an urbanized area and inside a principal city. Includes schools within large cities with a population of 250,000 or more (e.g. St. Louis City School District), midsize cities with a population between 100,000 and 250,000 (e.g. Springfield R-XII School District), and small cities with a population of less than 100,000 (e.g. St. Joseph School District).

Appendix E

SAFE SCHOOLS INITIATIVES SCHOOL SAFETY SURVEY RESULTS

The Department of Elementary of Secondary Education and the Department of Mental Health conduct a joint Missouri Student Survey every two years showing trends in health-related behaviors of students in the state. The 2006 survey¹ (the most current report available) included approximately 69,000 students from school districts which volunteered to participate in the survey. Students were asked questions regarding activities occurring inside and outside of school.

Also, various federal agencies survey students and school districts' staff regarding school safety issues across the United States. The results of these surveys and other related statistics gathered by the agencies are reported annually in the Indicators of School Crime and Safety report² produced jointly by the U.S. Department of Education and Department of Justice. The 2007 report contained survey information collected from 2003 through 2006 regarding numerous types of school safety issues, including fights, carrying weapons, bullying, threats to teachers and students, and alcohol and drug use. The report lists survey results nationwide and by state.

Following is a summary of some significant results from these two surveys relating to student behavior at school:

Activity/Behavior	Missouri Student Survey	Indicators of School Crime and Safety	
	Missouri	Missouri	United States
Weapons/Threatening Situations			
Percentage of students reported carrying a weapon to school at least one day during the previous 30 days	NA	7.3	6.5
Percentage of students reported carrying a weapon to school within the past year	1.7	NA	NA
Percentage of students reported having been in a physical fight at school during the previous 12 months	NA	10.2	13.6
Percentage of students reported having been threatened or injured with a weapon at school during the previous 12 months	NA	9.1	7.9
Percentage of students reported they did not go to school because they felt unsafe at school or on their way to school during the previous 30 days	NA	5.4	6
	Missouri Student	Indicators of School	

¹ 2006 Missouri Student Survey, Children and Family Mental Health Services Research, Missouri Institute of Mental Health, University of Missouri-Columbia School of Medicine, December 2006.

² Indicators of School Crime and Safety: 2007, U.S. Department of Education and U.S. Department of Justice, Office of Justice Programs, December 2007, (Report Nos. NCES 2008-021 and NCJ 219553)

Appendix E

SAFE SCHOOLS INITIATIVES SCHOOL SAFETY SURVEY RESULTS

Activity/Behavior	Survey	Crime and Safety	
	Missouri	Missouri	United States
Percentage of teachers reported having been physically attacked by a student during the previous 12 months	NA	5.5	3.7
Percentage of teachers reported having been threatened with injury by a student during the previous 12 months	NA	8.3	7.5
Drugs/Alcohol/Tobacco Usage			
Percentage of students reported using marijuana at school during the previous 30 days	1.7	4	4.5
Percentage of students reported having been offered, sold, or given an illegal drug at school by someone during the past 12 months	NA	18.2	25.4
Percentage of students reported using alcohol at school during the previous 30 days	2.5	3.3	4.3
Percentage of students reported having smoked cigarettes at school on one or more of the past 30 days	3.4	6.2	6.8
Percentage of students reported having used chewing tobacco, snuff, or dip at school on one or more of the past 30 days	3.1	3.9	5

The Missouri Student Survey includes middle/junior and high school aged youth while the Indicators of School Crime and Safety report includes high school aged youth.

NA Survey did not include a comparable question.

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

County	School District	School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
		Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Adair	Adair Co. R-I	52	293	17.7	80	303	26.4	2	307	0.7	0	311	0.0	1	315	0.3
	Adair Co. R-II	59	249	23.7	61	248	24.6	5	252	2.0	1	258	0.4	0	257	0.0
	Kirksville R-III	1,416	2,569	55.1	1,233	2,443	50.5	4	2,421	0.2	5	2,394	0.2	0	2,396	0.0
Andrew	Avenue City R-IX	5	137	3.6	5	134	3.7	0	117	0.0	0	120	0.0	0	129	0.0
	North Andrew Co. R-VI	153	390	39.2	128	399	32.1	2	369	0.5	8	379	2.1	1	367	0.3
	Savannah R-III	289	2,362	12.2	186	2,351	7.9	22	2,378	0.9	22	2,387	0.9	21	2,391	0.9
Atchison	Fairfax R-III	56	170	32.9	38	150	25.3	0	160	0.0	1	167	0.6	0	155	0.0
	Rock Port R-II	118	360	32.8	0	354	0.0	0	355	0.0	1	369	0.3	0	369	0.0
	Tarkio R-I	51	422	12.1	95	417	22.8	12	439	2.7	0	561	0.0	1	605	0.2
Audrain	Community R-VI	56	348	16.1	78	372	21.0	0	370	0.0	0	356	0.0	0	361	0.0
	Mexico 59	1,355	2,482	54.6	2,004	2,378	84.3	80	2,393	3.3	130	2,433	5.3	153	2,455	6.2
	Van-Far R-I	126	604	20.9	188	621	30.3	8	626	1.3	1	630	0.2	2	633	0.3
Barry	Cassville R-IV	817	2,112	38.7	564	2,019	27.9	34	2,042	1.7	31	1,995	1.6	20	2,015	1.0
	Exeter R-VI	10	330	3.0	18	336	5.4	0	322	0.0	1	331	0.3	1	301	0.3
	Monett R-I	367	2,150	17.1	286	2,021	14.2	24	1,996	1.2	31	1,975	1.6	30	2,016	1.5
	Purdy R-II	43	739	5.8	109	753	14.5	0	715	0.0	0	730	0.0	8	702	1.1
	Shell Knob 78	25	165	15.2	53	189	28.0	0	197	0.0	2	204	1.0	3	217	1.4
	Southwest R-V	271	886	30.6	316	856	36.9	10	831	1.2	6	856	0.7	6	863	0.7
Barton	Wheaton R-III	14	455	3.1	27	452	6.0	9	425	2.1	4	434	0.9	3	438	0.7
	Golden City R-III	76	265	28.7	86	293	29.4	2	310	0.6	2	290	0.7	0	276	0.0
	Lamar R-I	712	1,316	54.1	101	1,351	7.5	0	1,310	0.0	7	1,358	0.5	1	1,379	0.1
Bates	Liberal R-II	109	554	19.7	117	550	21.3	3	543	0.6	4	524	0.8	18	532	3.4
	Adrian R-III	174	722	24.1	135	697	19.4	5	678	0.7	4	686	0.6	14	657	2.1
	Ballard R-II	7	135	5.2	10	142	7.0	5	144	3.5	0	172	0.0	0	165	0.0
	Butler R-V	264	1,059	24.9	261	1,083	24.1	19	1,096	1.7	13	1,093	1.2	18	1,154	1.6
	Hudson R-IX	3	60	5.0	1	58	1.7	0	62	0.0	0	63	0.0	0	53	0.0
	Hume R-VIII	23	153	15.0	7	142	4.9	6	139	4.3	4	141	2.8	1	142	0.7
	Miami R-I	99	244	40.6	128	239	53.6	3	228	1.3	1	231	0.4	5	239	2.1
	Rich Hill R-IV	174	423	41.1	326	436	74.8	12	469	2.6	0	494	0.0	40	485	8.2
	Cole Camp R-I	152	773	19.7	193	735	26.3	5	769	0.7	9	807	1.1	5	741	0.7
Benton	Lincoln R-II	599	558	107.3	81	578	14.0	16	593	2.7	4	587	0.7	2	572	0.3
	Warsaw R-IX	499	1,438	34.7	158	1,380	11.4	27	1,396	1.9	21	1,362	1.5	26	1,362	1.9
	Leopold R-III	16	202	7.9	0	207	0.0	0	214	0.0	0	213	0.0	0	220	0.0
Bollinger	Meadow Heights R-II	76	608	12.5	78	573	13.6	8	575	1.4	5	573	0.9	8	603	1.3
	Woodland R-IV	208	947	22.0	286	940	30.4	10	911	1.1	25	930	2.7	29	957	3.0
	Zalma R-V	9	241	3.7	21	241	8.7	0	245	0.0	0	270	0.0	0	272	0.0
Boone	Centralia R-VI	220	1,334	16.5	142	1,341	10.6	13	1,360	1.0	10	1,362	0.7	10	1,338	0.7
	Columbia 93	8,323	17,090	48.7	6,672	16,369	40.8	81	16,052	0.5	33	15,982	0.2	44	16,076	0.3
	Hallsville R-IV	266	1,252	21.2	332	1,196	27.8	24	1,163	2.1	24	1,174	2.0	4	1,185	0.3
	Harrisburg R-VIII	178	608	29.3	180	612	29.4	1	605	0.2	4	588	0.7	3	583	0.5
	Southern Boone Co. R-I	446	1,396	31.9	454	1,354	33.5	9	1,281	0.7	5	1,299	0.4	7	1,254	0.6
	Sturgeon R-V	69	446	15.5	62	459	13.5	8	494	1.6	4	504	0.8	15	472	3.2
Buchanan	Buchanan Co. R-IV	39	381	10.2	21	339	6.2	0	355	0.0	0	357	0.0	1	369	0.3
	East Buchanan Co. C-1	211	740	28.5	124	751	16.5	3	722	0.4	7	720	1.0	8	713	1.1
	Mid-Buchanan Co. R-V	102	701	14.6	50	698	7.2	0	674	0.0	0	713	0.0	4	768	0.5
Butler	St. Joseph	5,202	11,718	44.4	5,446	11,363	47.9	151	11,402	1.3	176	11,559	1.5	101	11,658	0.9
	Neelyville R-IV	71	664	10.7	185	658	28.1	3	686	0.4	13	696	1.9	11	696	1.6
	Poplar Bluff R-I	1,791	4,849	36.9	1,459	4,596	31.7	158	4,556	3.5	131	4,479	2.9	144	4,576	3.1
	Twin Rivers R-X	435	990	43.9	325	1,021	31.8	4	994	0.4	6	999	0.6	6	1,015	0.6

Appendix F

SAFE SCHOOLS INITIATIVES
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		School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
County	School District	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Caldwell	Braymer C-4	17	372	4.6	0	355	0.0	1	341	0.3	0	370	0.0	0	365	0.0
	Breckenridge R-I	0	113	0.0	8	109	7.3	0	105	0.0	0	111	0.0	0	108	0.0
	Cowgill R-VI	0	34	0.0	0	43	0.0	0	49	0.0	0	52	0.0	0	59	0.0
	Hamilton R-II	287	721	39.8	411	714	57.6	5	709	0.7	10	703	1.4	8	711	1.1
	Kingston 42	1	52	1.9	0	41	0.0	0	38	0.0	0	43	0.0	0	38	0.0
	Mirabile C-1	1	60	1.7	1	48	2.1	0	44	0.0	0	37	0.0	0	22	0.0
	New York R-IV	0	30	0.0	0	31	0.0	0	36	0.0	0	46	0.0	0	44	0.0
Callaway	Polo R-VII	90	395	22.8	102	416	24.5	7	388	1.8	6	401	1.5	4	397	1.0
	Fulton 58	773	2,217	34.9	882	2,233	39.5	90	2,269	4.0	74	2,278	3.2	74	2,308	3.2
	Missouri School For The Deaf	0	98	0.0	10	107	9.3	0	112	0.0	0	120	0.0	0	*	NA
	New Bloomfield R-III	605	764	79.2	651	737	88.3	2	731	0.3	0	703	0.0	9	743	1.2
	North Callaway Co. R-I	554	1,355	40.9	608	1,343	45.3	21	1,306	1.6	43	1,292	3.3	36	1,322	2.7
	South Callaway Co. R-II	179	964	18.6	256	953	26.9	11	934	1.2	11	937	1.2	2	948	0.2
	Camdenton R-III	1,703	4,223	40.3	1,362	4,130	33.0	52	4,037	1.3	91	4,010	2.3	65	4,071	1.6
Camden	Climax Springs R-IV	124	238	52.1	209	242	86.4	3	231	1.3	0	242	0.0	2	235	0.9
	Macks Creek R-V	99	319	31.0	375	353	106.2	5	351	1.4	3	352	0.9	4	391	1.0
	Stoutland R-II	71	535	13.3	222	532	41.7	2	535	0.4	0	525	0.0	0	527	0.0
	Cape Girardeau Cape Girardeau 63	2,712	3,971	68.3	2,358	4,019	58.7	144	4,048	3.6	146	4,049	3.6	258	3,998	6.5
	Delta R-V	0	334	0.0	6	334	1.8	0	315	0.0	0	333	0.0	0	325	0.0
	Jackson R-II	1,135	4,675	24.3	912	4,576	19.9	41	4,548	0.9	27	4,585	0.6	17	4,623	0.4
	Nell Holcomb R-IV	6	325	1.8	12	340	3.5	2	340	0.6	2	345	0.6	1	339	0.3
Carroll	Oak Ridge R-VI	49	353	13.9	71	356	19.9	0	373	0.0	0	378	0.0	0	383	0.0
	Bosworth R-V	4	138	2.9	3	133	2.3	0	148	0.0	0	162	0.0	0	164	0.0
	Carrollton R-VII	160	1,035	15.5	278	1,011	27.5	44	1,027	4.3	16	1,009	1.6	13	1,030	1.3
	Hale R-I	30	201	14.9	29	151	19.2	0	148	0.0	0	149	0.0	0	163	0.0
	Norborne R-VIII	79	207	38.2	97	220	44.1	0	233	0.0	0	208	0.0	0	210	0.0
	Tina-Avalon R-II	73	214	34.1	80	201	39.8	1	197	0.5	0	197	0.0	0	200	0.0
	East Carter Co. R-II	363	837	43.4	287	829	34.6	10	794	1.3	5	790	0.6	8	772	1.0
Carter	Van Buren R-I	5	528	0.9	3	532	0.6	1	527	0.2	1	563	0.2	1	517	0.2
	Archie R-V	165	623	26.5	310	570	54.4	1	525	0.2	0	528	0.0	3	548	0.5
	Belton 124	1,441	4,892	29.5	1,557	4,587	33.9	68	4,591	1.5	42	4,547	0.9	35	4,573	0.8
	Drexel R-IV	53	319	16.6	56	346	16.2	3	360	0.8	0	374	0.0	1	370	0.3
	East Lynne 40	23	162	14.2	1	136	0.7	0	164	0.0	0	166	0.0	0	161	0.0
	Harrisonville R-IX	421	2,613	16.1	741	2,437	30.4	25	2,442	1.0	35	2,415	1.4	18	2,328	0.8
	Midway R-I	50	571	8.8	43	567	7.6	0	561	0.0	1	576	0.2	0	580	0.0
Cass	Pleasant Hill R-III	197	2,211	8.9	167	2,130	7.8	13	2,103	0.6	19	2,026	0.9	14	1,972	0.7
	Raymore-Peculiar R-II	2,811	5,638	49.9	2,334	5,368	43.5	40	5,169	0.8	47	4,886	1.0	76	4,627	1.6
	Sherwood Cass R-VIII	70	904	7.7	52	924	5.6	5	913	0.5	14	926	1.5	13	924	1.4
	Strasburg C-3	0	81	0.0	5	94	5.3	0	107	0.0	0	116	0.0	0	117	0.0
	El Dorado Springs R-II	127	1,253	10.1	733	1,254	58.5	13	1,270	1.0	16	1,305	1.2	8	1,287	0.6
	Stockton R-I	329	1,056	31.2	338	1,080	31.3	5	1,053	0.5	1	1,043	0.1	0	1,064	0.0
	Brunswick R-II	16	292	5.5	40	260	15.4	7	270	2.6	3	269	1.1	8	278	2.9
Chariton	Keytesville R-III	36	185	19.5	51	185	27.6	3	190	1.6	1	177	0.6	0	176	0.0
	Northwestern R-I	28	199	14.1	15	179	8.4	0	177	0.0	0	187	0.0	0	197	0.0
	Salisbury R-IV	58	480	12.1	69	481	14.3	0	544	0.0	0	509	0.0	4	566	0.7
	Billings R-IV	221	473	46.7	171	478	35.8	5	426	1.2	1	430	0.2	2	452	0.4
	Chadwick R-I	33	212	15.6	30	196	15.3	4	209	1.9	0	210	0.0	0	226	0.0
	Clever R-V	201	877	22.9	219	798	27.4	1	737	0.1	2	680	0.3	0	641	0.0
	Nixa R-II	1,458	5,090	28.6	1,330	4,677	28.4	30	4,371	0.7	17	4,184	0.4	37	4,002	0.9
Cedar	Ozark R-VI	921	4,903	18.8	520	4,633	11.2	63	4,403	1.4	66	4,135	1.6	49	3,925	1.2
	Sparta R-III	104	776	13.4	271	712	38.1	8	701	1.1	7	717	1.0	15	688	2.2
	Spokane R-VII	387	748	51.7	313	705	44.4	1	704	0.1	4	717	0.6	7	730	1.0

Appendix F

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Clark	Clark Co. R-I	419	1,014	41.3	409	1,011	40.5	17	1,036	1.6	2	1,064	0.2	15	1,106	1.4
	Luray 33	0	60	0.0	2	39	5.1	0	40	0.0	1	43	2.3	0	45	0.0
	Revere C-3	1	53	1.9	3	42	7.1	0	49	0.0	0	50	0.0	0	51	0.0
	Wyaconda C-1	0	33	0.0	0	37	0.0	0	34	0.0	0	40	0.0	0	45	0.0
Clay	Excelsior Springs 40		3,052	0.0	2,362	3,228	73.2	49	3,284	1.5	72	3,269	2.2	38	3,321	1.1
	Kearney R-I	1,054	3,549	29.7	1,090	3,417	31.9	22	3,374	0.7	15	3,379	0.4	6	3,308	0.2
	Liberty 53	1,352	9,277	14.6	1,720	8,463	20.3	62	7,982	0.8	135	7,640	1.8	57	7,428	0.8
	Missouri City 56	0	35	0.0	0	39	0.0	0	39	0.0	2	50	4.0	0	47	0.0
	North Kansas City 74	5,717	17,715	32.3	6,700	17,369	38.6	271	17,193	1.6	349	17,003	2.1	262	17,030	1.5
	Smithville R-II	257	2,203	11.7	145	2,071	7.0	6	1,955	0.3	11	1,876	0.6	4	1,789	0.2
Clinton	Cameron R-I	320	1,774	18.0	447	1,715	26.1	9	1,683	0.5	17	1,631	1.0	18	1,603	1.1
	Clinton Co. R-III	254	866	29.3	116	868	13.4	6	840	0.7	23	829	2.8	23	838	2.7
	Lathrop R-II	189	872	21.7	140	860	16.3	3	852	0.4	18	890	2.0	16	864	1.9
Cole	Blair Oaks R-II	106	854	12.4	201	741	27.1	5	693	0.7	4	641	0.6	1	616	0.2
	Cole Co. R-I	366	759	48.2	381	738	51.6	9	745	1.2	17	723	2.4	0	715	0.0
	Cole Co. R-V	179	709	25.2	173	747	23.2	7	751	0.9	9	745	1.2	10	783	1.3
	Jefferson City	3,997	8,235	48.5	5,156	8,268	62.4	258	8,210	3.1	161	8,228	2.0	103	8,263	1.2
Cooper	Blackwater R-II		110	0.0	0	120	0.0	0	135	0.0	0	134	0.0	0	137	0.0
	Boonville R-I	241	1,604	15.0	383	1,579	24.3	12	1,507	0.8	11	1,472	0.7	11	1,486	0.7
	Cooper Co. R-IV	42	166	25.3	52	186	28.0	1	200	0.5	1	199	0.5	0	192	0.0
	Otterville R-VI	64	263	24.3	71	279	25.4	0	275	0.0	0	280	0.0	0	260	0.0
	Pilot Grove C-4	7	306	2.3	33	285	11.6	0	292	0.0	0	284	0.0	0	262	0.0
	Prairie Home R-V	17	152	11.2	21	155	13.5	1	156	0.6	2	161	1.2	1	155	0.6
Crawford	Crawford Co. R-I	637	1,099	58.0	1,190	1,029	115.6	35	1,078	3.2	14	1,078	1.3	19	1,083	1.8
	Crawford Co. R-II	1,216	1,442	84.3	969	1,386	69.9	21	1,368	1.5	15	1,401	1.1	27	1,405	1.9
	Steelville R-III	0	986	0.0	751	969	77.5	6	985	0.6	9	953	0.9	8	939	0.9
Dade	Dadeville R-II	12	172	7.0	36	180	20.0	0	195	0.0	4	195	2.1	0	201	0.0
	Everton R-III	9	193	4.7	18	217	8.3	4	200	2.0	0	220	0.0	0	224	0.0
	Greenfield R-IV	0	478	0.0	16	496	3.2	3	487	0.6	2	471	0.4	5	485	1.0
	Lockwood R-I	36	359	10.0	30	368	8.2	0	362	0.0	0	336	0.0	0	334	0.0
Dallas	Dallas Co. R-I	900	1,864	48.3	274	1,918	14.3	45	1,919	2.3	49	2,018	2.4	36	2,074	1.7
Daviess	Gallatin R-V	137	615	22.3	397	609	65.2	1	626	0.2	11	638	1.7	0	610	0.0
	North Daviess R-III	17	93	18.3	56	89	62.9	0	112	0.0	0	114	0.0	0	124	0.0
	Pattonburg R-II	11	173	6.4	20	169	11.8	1	189	0.5	0	204	0.0	0	206	0.0
	Tri-County R-VII	103	218	47.2	17	211	8.1	2	210	1.0	1	195	0.5	0	203	0.0
	Winston R-VI	107	192	55.7	103	186	55.4	3	192	1.6	5	202	2.5	0	196	0.0
Dekalb	Maysville R-I	128	640	20.0	1	672	0.1	4	677	0.6	0	693	0.0	0	700	0.0
	Osborn R-O	11	125	8.8	39	136	28.7	1	144	0.7	2	155	1.3	2	182	1.1
	Stewartsville C-2	79	281	28.1	9	274	3.3	0	285	0.0	0	300	0.0	0	294	0.0
	Union Star R-II	46	149	30.9	41	159	25.8	0	141	0.0	0	144	0.0	0	154	0.0
Dent	Dent-Phelps R-III	27	257	10.5	23	259	8.9	0	249	0.0	2	266	0.8	0	295	0.0
	Green Forest R-II	27	179	15.1	93	184	50.5	0	201	0.0	2	198	1.0	0	199	0.0
	North Wood R-IV	56	217	25.8	154	200	77.0	1	215	0.5	1	209	0.5	0	217	0.0
	Oak Hill R-I	57	135	42.2	30	124	24.2	0	132	0.0	0	138	0.0	1	155	0.6
	Salem R-80	1,195	1,501	79.6	840	1,574	53.4	6	1,513	0.4	5	1,501	0.3	10	1,508	0.7
Douglas	Ava R-I	1,199	1,497	80.1	865	1,486	58.2	2	1,517	0.1	2	1,509	0.1	4	1,569	0.3
	Plainview R-VIII	0	89	0.0	0	91	0.0	0	95	0.0	0	83	0.0	0	88	0.0
	Skyline R-II	88	103	85.4	60	103	58.3	0	97	0.0	1	101	1.0	0	102	0.0

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Dunklin	Campbell R-II	251	667	37.6	198	672	29.5	18	629	2.9	13	648	2.0	17	648	2.6
	Clarkton C-4	255	381	66.9	5	372	1.3	19	364	5.2	9	382	2.4	1	385	0.3
	Holcomb R-III	75	635	11.8	38	612	6.2	1	562	0.2	1	550	0.2	0	532	0.0
	Kennett 39	1,752	2,064	84.9	2,579	2,023	127.5	83	2,060	4.0	104	2,114	4.9	70	2,094	3.3
	Malden R-I	1,214	1,134	107.1	1,234	1,076	114.7	29	1,062	2.7	37	1,066	3.5	20	1,103	1.8
Franklin	Senath-Hornersville C-8	438	824	53.2	152	859	17.7	9	801	1.1	6	779	0.8	5	781	0.6
	Southland C-9	76	365	20.8	237	362	65.5	1	358	0.3	9	365	2.5	0	388	0.0
	Franklin Co. R-II	1	164	0.6	0	160	0.0	0	171	0.0	0	176	0.0	1	171	0.6
	Lonedell R-XIV	257	399	64.4	261	408	64.0	12	424	2.8	2	437	0.5	1	455	0.2
	Meramec Valley R-III	3,387	3,664	92.4	3,635	3,613	100.6	50	3,622	1.4	69	3,697	1.9	58	3,743	1.5
	New Haven	70	453	15.5	88	465	18.9	3	444	0.7	2	461	0.4	2	480	0.4
	Spring Bluff R-XV	14	249	5.6	20	246	8.1	0	261	0.0	0	244	0.0	0	242	0.0
	St. Clair R-XIII	1,456	2,426	60.0	210	2,423	8.7	62	2,375	2.6	77	2,356	3.3	79	2,363	3.3
	Strain-Japan R-XVI	23	80	28.8	30	78	38.5	0	80	0.0	0	97	0.0	0	87	0.0
	Sullivan	1,102	2,229	49.4	964	2,136	45.1	35	2,094	1.7	15	2,036	0.7	31	2,057	1.5
	Union R-XI	1,109	2,913	38.1	874	2,887	30.3	85	2,870	3.0	71	2,938	2.4	70	3,012	2.3
	Washington	1,655	4,334	38.2	1,546	3,992	38.7	53	3,982	1.3	15	3,910	0.4	12	3,870	0.3
Gasconade	Gasconade Co. R-I	229	1,108	20.7	286	1,108	25.8	29	1,120	2.6	10	1,139	0.9	7	1,142	0.6
	Gasconade Co. R-II	752	1,982	37.9	821	2,002	41.0	36	1,978	1.8	22	1,976	1.1	17	1,958	0.9
Gentry	Albany R-III	89	465	19.1	79	489	16.2	2	493	0.4	2	496	0.4	4	528	0.8
	King City R-I	27	369	7.3	36	338	10.7	0	351	0.0	0	375	0.0	0	372	0.0
Greene	Stanberry R-II	16	362	4.4	20	345	5.8	0	338	0.0	0	347	0.0	0	358	0.0
	Ash Grove R-IV	200	908	22.0	182	885	20.6	1	869	0.1	5	858	0.6	2	883	0.2
	Fair Grove R-X	93	1,175	7.9	196	1,139	17.2	4	1,069	0.4	4	1,061	0.4	10	1,012	1.0
	Logan-Rogersville R-VIII	543	2,057	26.4	511	1,984	25.8	22	1,922	1.1	10	1,892	0.5	15	1,883	0.8
	Republic R-III	483	3,812	12.7	324	3,466	9.3	34	3,370	1.0	44	3,269	1.3	29	3,151	0.9
	Springfield R-XII	15,017	24,696	60.8	16,203	24,258	66.8	1,058	24,119	4.4	665	24,285	2.7	449	24,356	1.8
	Strafford R-VI	271	1,198	22.6	313	1,098	28.5	12	1,126	1.1	12	1,114	1.1	4	1,060	0.4
	Walnut Grove R-V	128	282	45.4	1	282	0.4	1	300	0.3	1	312	0.3	2	314	0.6
Grundy	Willard R-II	853	3,853	22.1	928	3,696	25.1	36	3,508	1.0	182	3,441	5.3	63	3,313	1.9
	Grundy Co. R-V	124	178	69.7	172	176	97.7	2	202	1.0	6	210	2.9	2	205	1.0
	Laredo R-VII	2	44	4.5	0	36	0.0	0	42	0.0	0	44	0.0	1	47	2.1
	Pleasant View R-VI	0	124	0.0	0	72	0.0	0	81	0.0	1	80	1.3	0	83	0.0
	Spickard R-II	11	59	18.6	9	54	16.7	1	51	2.0	1	57	1.8	1	58	1.7
	Trenton R-IX	807	1,182	68.3	569	1,191	47.8	19	1,207	1.6	19	1,178	1.6	27	1,223	2.2
Harrison	Cainsville R-I	0	114	0.0	1	96	1.0	0	106	0.0	0	104	0.0	0	111	0.0
	Gilman City R-IV	105	154	68.2	197	136	144.9	4	125	3.2	0	125	0.0	0	129	0.0
	North Harrison R-III	50	226	22.1	35	219	16.0	1	218	0.5	3	244	1.2	0	235	0.0
	Ridgeway R-V	29	108	26.9	17	101	16.8	0	103	0.0	1	99	1.0	0	109	0.0
	South Harrison Co. R-II	234	870	26.9	248	820	30.2	3	823	0.4	1	821	0.1	2	823	0.2
Henry	Calhoun R-VIII	138	194	71.1	66	207	31.9	12	198	6.1	0	210	0.0	3	233	1.3
	Clinton	1,434	1,888	76.0	1,658	1,796	92.3	58	1,857	3.1	90	1,919	4.7	58	1,952	3.0
	Davis R-XII	7	29	24.1	4	38	10.5	0	39	0.0	0	46	0.0	0	43	0.0
	Henry Co. R-I	0	698	0.0	107	685	15.6	5	673	0.7	9	704	1.3	3	723	0.4
	Leesville R-IX	5	86	5.8	3	77	3.9	0	83	0.0	0	97	0.0	3	95	3.2
	Montrose R-XIV	0	106	0.0	19	124	15.3	0	130	0.0	0	130	0.0	0	122	0.0
Hickory	Shawnee R-III	21	63	33.3	10	61	16.4	0	58	0.0	0	56	0.0	0	54	0.0
	Hermitage R-IV	64	363	17.6	162	346	46.8	1	321	0.3	2	317	0.6	3	288	1.0
	Hickory Co. R-I	200	807	24.8	200	849	23.6	5	811	0.6	0	813	0.0	2	812	0.2
	Weaubleau R-III	13	425	3.1	5	437	1.1	8	457	1.8	8	458	1.7	7	455	1.5
	Wheatland R-II	162	310	52.3	134	297	45.1	3	318	0.9	5	311	1.6	4	319	1.3

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

County	School District	School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
		Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Holt	Craig R-III	8	108	7.4	9	120	7.5	0	127	0.0	0	127	0.0	0	148	0.0
	Mound City R-II	8	292	2.7	28	254	11.0	0	286	0.0	0	286	0.0	0	281	0.0
	South Holt Co. R-I	44	299	14.7	42	317	13.2	2	332	0.6	3	357	0.8	2	383	0.5
Howard	Fayette R-III	298	672	44.3	353	653	54.1	17	674	2.5	12	711	1.7	6	723	0.8
	Howard Co. R-II	34	270	12.6	52	261	19.9	0	266	0.0	0	277	0.0	0	309	0.0
	New Franklin R-I	87	441	19.7	189	460	41.1	1	441	0.2	0	447	0.0	0	438	0.0
Howell	Fairview R-XI	86	557	15.4	96	567	16.9	4	564	0.7	4	561	0.7	0	545	0.0
	Glenwood R-VIII	0	265	0.0	0	265	0.0	0	253	0.0	0	268	0.0	0	258	0.0
	Howell Valley R-I	3	222	1.4	30	243	12.3	0	225	0.0	0	239	0.0	0	238	0.0
	Junction Hill C-12	18	219	8.2	15	234	6.4	1	224	0.4	4	249	1.6	2	274	0.7
	Mountain View-Birch Tree R-III	25	1,379	1.8	620	1,330	46.6	23	1,351	1.7	31	1,353	2.3	16	1,300	1.2
	Richards R-V	23	385	6.0	13	400	3.3	0	390	0.0	2	394	0.5	0	389	0.0
	West Plains R-VII	242	2,561	9.4	1,551	2,491	62.3	37	2,529	1.5	27	2,504	1.1	18	2,508	0.7
	Willow Springs R-IV	335	1,333	25.1	865	1,279	67.6	7	1,262	0.6	11	1,245	0.9	9	1,274	0.7
	Arcadia Valley R-II	299	1,161	25.8	182	1,163	15.6	17	1,163	1.5	9	1,134	0.8	7	1,106	0.6
Iron	Bellevue R-III	20	122	16.4	59	129	45.7	0	134	0.0	3	129	2.3	4	136	2.9
	Iron Co. C-4	87	470	18.5	69	491	14.1	8	487	1.6	14	521	2.7	16	519	3.1
	South Iron Co. R-I	186	418	44.5	106	431	24.6	0	426	0.0	3	453	0.7	3	436	0.7
Jackson	Blue Springs R-IV	3,603	13,696	26.3	3,606	13,339	27.0	136	13,237	1.0	131	12,923	1.0	116	12,862	0.9
	Center 58	2,139	2,475	86.4	2,232	2,424	92.1	95	2,372	4.0	126	2,497	5.0	127	2,562	5.0
	Fort Osage R-I	1,332	4,923	27.1	1,399	4,877	28.7	53	4,852	1.1	54	4,859	1.1	37	4,875	0.8
	Grain Valley R-V	657	2,819	23.3	509	2,554	19.9	27	2,344	1.2	35	2,164	1.6	47	2,030	2.3
	Grandview C-4	3,352	4,070	82.4	2,928	4,120	71.1	92	4,184	2.2	156	4,229	3.7	173	4,225	4.1
	Hickman Mills C-1	3,423	6,949	49.3	7,764	6,920	112.2	7,046	7,094	99.3	7,323	7,250	101.0	573	7,478	7.7
	Independence 30	4,782	11,268	42.4	4,208	10,935	38.5	336	10,920	3.1	345	11,059	3.1	304	11,201	2.7
	Kansas City 33	24,073	26,943	89.3	21,052	25,766	81.7	0	27,190	0.0	2,888	26,966	10.7	1,835	26,948	6.8
	Kansas City Charter Schools	2,505	6,111	41.0	198	6,428	3.1	0	5,493	0.0	428	6,692	6.4	0	6,696	0.0
	Lee's Summit R-VII	3,462	16,965	20.4	3,554	16,458	21.6	142	15,934	0.9	129	15,496	0.8	115	14,861	0.8
	Lone Jack C-6	57	591	9.6	78	535	14.6	1	502	0.2	1	498	0.2	4	479	0.8
	Oak Grove R-VI	173	2,106	8.2	177	2,040	8.7	16	2,060	0.8	12	1,974	0.6	9	1,960	0.5
Jasper	Raytown C-2	6,409	8,915	71.9	6,282	8,765	71.7	702	8,664	8.1	618	8,570	7.2	465	8,548	5.4
	Avilla R-XIII	5	164	3.0	2	142	1.4	2	149	1.3	0	151	0.0	1	159	0.6
	Carl Junction R-I	1,450	3,154	46.0	1,614	2,944	54.8	35	2,871	1.2	19	2,794	0.7	19	2,708	0.7
	Carthage R-IX	1,875	4,007	46.8	1,123	3,898	28.8	25	3,710	0.7	56	3,619	1.5	40	3,602	1.1
	Jasper Co. R-V	0	510	0.0	108	499	21.6	5	534	0.9	3	521	0.6	1	498	0.2
	Joplin R-VIII	4,614	7,585	60.8	4,037	7,301	55.3	244	7,245	3.4	159	7,234	2.2	98	7,166	1.4
	Sarcoie R-II	156	826	18.9	88	820	10.7	1	816	0.1	3	794	0.4	2	750	0.3
	Webb City R-VII	558	3,885	14.4	456	3,782	12.1	46	3,800	1.2	31	3,715	0.8	48	3,667	1.3
Jefferson	Crystal City 47	140	716	19.6	674	673	100.1	18	645	2.8	3	639	0.5	6	686	0.9
	DeSoto 73	3,200	2,860	111.9	3,146	2,869	109.7	71	2,788	2.5	47	2,773	1.7	47	2,829	1.7
	Dunklin R-V	712	1,343	53.0	648	1,350	48.0	24	1,329	1.8	38	1,397	2.7	14	1,471	1.0
	Festus R-VI	1,359	3,117	43.6	1,461	3,041	48.0	51	2,912	1.8	31	2,770	1.1	39	2,672	1.5
	Fox C-6	5,684	11,619	48.9	4,599	11,434	40.2	204	11,239	1.8	241	11,307	2.1	215	11,185	1.9
	Grandview R-II	257	830	31.0	432	817	52.9	3	861	0.3	10	904	1.1	10	929	1.1
	Hillsboro R-III	861	3,691	23.3	713	3,717	19.2	71	3,632	2.0	74	3,604	2.1	64	3,592	1.8
	Jefferson Co. R-VII	77	750	10.3	19	667	2.8	1	656	0.2	0	676	0.0	1	702	0.1
	Northwest R-I	2,060	7,045	29.2	2,249	7,079	31.8	236	7,169	3.3	414	7,385	5.6	426	7,509	5.7
	Sunrise R-IX	378	351	107.7	256	324	79.0	4	349	1.1	1	332	0.3	4	343	1.2
	Windsor C-1	2,038	2,992	68.1	1,695	3,023	56.1	42	2,975	1.4	21	2,965	0.7	33	2,922	1.1

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

County	School District	School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
		Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Johnson	Chilhowee R-IV	65	157	41.4	65	140	46.4	2	137	1.5	2	141	1.4	1	145	0.7
	Holden R-III	800	1,527	52.4	293	1,443	20.3	17	1,446	1.2	20	1,372	1.5	7	1,388	0.5
	Johnson Co. R-VII	209	645	32.4	377	665	56.7	4	679	0.6	11	652	1.7	5	618	0.8
	Kingsville R-I	77	268	28.7	77	269	28.6	0	287	0.0	1	293	0.3	0	295	0.0
	Knob Noster R-VIII	241	1,591	15.1	224	1,595	14.0	4	1,665	0.2	2	1,710	0.1	2	1,819	0.1
	Leeton R-X	314	377	83.3	184	350	52.6	1	343	0.3	9	351	2.6	9	364	2.5
	Warrensburg R-VI	624	3,264	19.1	773	3,213	24.1	37	3,145	1.2	38	3,122	1.2	36	3,167	1.1
Knox	Knox Co. R-I	39	566	6.9	37	591	6.3	4	582	0.7	2	601	0.3	5	595	0.8
	Laclede	8	106	7.5	6	105	5.7	2	120	1.7	4	106	3.8	2	103	1.9
Lafayette	Laclede Co. C-5	73	493	14.8	116	531	21.8	14	502	2.8	2	513	0.4	5	502	1.0
	Laclede Co. R-I	624	864	72.2	850	849	100.1	6	805	0.7	3	820	0.4	1	861	0.1
	Lebanon R-III	0	4,719	0.0	2,247	4,463	50.3	171	4,408	3.9	142	4,306	3.3	60	4,244	1.4
	Concordia R-II	138	534	25.8	0	478	0.0	0	494	0.0	0	477	0.0	0	491	0.0
	Lafayette Co. C-1	135	1,050	12.9	177	1,050	16.9	4	1,037	0.4	3	1,062	0.3	0	1,060	0.0
	Lexington R-V	285	1,031	27.6	465	1,009	46.1	9	1,021	0.9	15	1,042	1.4	6	1,066	0.6
	Odessa R-VII	916	2,199	41.7	870	2,256	38.6	87	2,252	3.9	83	2,322	3.6	91	2,306	3.9
	Santa Fe R-X	80	447	17.9	151	428	35.3	2	422	0.5	3	409	0.7	2	402	0.5
	Wellington-Napoleon R-IX	21	463	4.5	22	463	4.8	3	437	0.7	8	442	1.8	1	458	0.2
	Lawrence	1,591	2,067	77.0	1,956	2,100	93.1	40	2,115	1.9	30	2,127	1.4	18	2,113	0.9
Lawrence	Aurora R-VIII	798	774	103.1	808	762	106.0	17	753	2.3	6	752	0.8	12	735	1.6
	Marionville R-IX	53	557	9.5	213	593	35.9	4	587	0.7	0	609	0.0	0	655	0.0
	Miller R-II	232	1,594	14.6	326	1,563	20.9	7	1,555	0.5	3	1,469	0.2	4	1,404	0.3
	Mt. Vernon R-V	42	782	5.4	46	766	6.0	0	727	0.0	1	716	0.1	6	764	0.8
	Pierce City R-VI	122	401	30.4	35	351	10.0	6	404	1.5	11	408	2.7	3	378	0.8
	Verona R-VII	0	547	0.0	273	578	47.2	2	584	0.3	0	587	0.0	2	605	0.3
	Canton R-V	468	1,022	45.8	482	998	48.3	14	1,031	1.4	113	984	11.5	37	1,012	3.7
Lewis	Lewis Co. C-1	620	862	71.9	608	865	70.3	18	870	2.1	23	857	2.7	23	862	2.7
	Elsberry R-II	10	376	2.7	72	360	20.0	0	342	0.0	2	347	0.6	5	368	1.4
	Silex R-I	2,015	5,771	34.9	1,406	5,543	25.4	45	5,309	0.8	46	5,105	0.9	33	4,914	0.7
	Troy R-III	1,779	1,622	109.7	0	1,613	0.0	6	1,587	0.4	31	1,603	1.9	95	1,616	5.9
Lincoln	Winfield R-IV	259	1,143	22.7	294	1,099	26.8	0	1,116	0.0	1	1,155	0.1	5	1,172	0.4
	Brookfield R-III	29	167	17.4	1	192	0.5	0	186	0.0	0	204	0.0	0	177	0.0
	Bucklin R-II	39	307	12.7	82	283	29.0	0	274	0.0	0	271	0.0	1	283	0.4
	Linn Co. R-I	294	694	42.4	354	690	51.3	1	711	0.1	2	693	0.3	0	728	0.0
	Marceline R-V	0	247	0.0	0	244	0.0	0	250	0.0	0	254	0.0	0	261	0.0
	Meadville R-IV	503	1,919	26.2	580	1,874	30.9	20	1,928	1.0	31	1,920	1.6	9	2,013	0.4
Livingston	Chillicothe R-II	1	79	1.3	0	77	0.0	0	71	0.0	0	77	0.0	0	65	0.0
	Livingston Co. R-III	97	210	46.2	119	223	53.4	1	233	0.4	2	228	0.9	0	222	0.0
	Southwest Livingston Co. R-I	75	223	33.6	38	219	17.4	0	217	0.0	3	221	1.4	0	217	0.0
	Atlanta C-3	0	243	0.0	45	277	16.2	0	263	0.0	0	272	0.0	0	270	0.0
Macon	Bevier C-4	2	48	4.2	0	45	0.0	0	50	0.0	0	52	0.0	0	51	0.0
	Callao C-8	57	347	16.4	107	361	29.6	1	378	0.3	0	407	0.0	0	409	0.0
	La Plata R-II	431	1,311	32.9	326	1,283	25.4	12	1,303	0.9	10	1,286	0.8	3	1,314	0.2
	Macon Co. R-I	1	149	0.7	2	144	1.4	0	167	0.0	1	173	0.6	0	180	0.0
Madison	Macon Co. R-IV	212	1,922	11.0	179	1,859	9.6	0	1,859	0.0	0	1,925	0.0	0	1,869	0.0
	Fredericktown R-I	12	195	6.2	8	207	3.9	1	214	0.5	4	197	2.0	1	193	0.5
	Marquand-Zion R-VI	107	577	18.5	85	575	14.8	0	563	0.0	2	582	0.3	6	597	1.0
Maries	Maries Co. R-I	6	806	0.7	6	816	0.7	7	789	0.9	8	828	1.0	2	823	0.2
	Maries Co. R-II	753	3,789	19.9	1,046	3,666	28.5	26	3,632	0.7	79	3,630	2.2	22	3,645	0.6
Marion	Hannibal 60	11	241	4.6	18	226	8.0	0	234	0.0	0	245	0.0	0	264	0.0
	Palmyra R-I	177	1,153	15.4	157	1,108	14.2	18	1,141	1.6	12	1,129	1.1	9	1,146	0.8

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McDonald	McDonald Co. R-I	421	3,728	11.3	593	3,743	15.8	41	3,640	1.1	37	3,554	1.0	44	3,471	1.3
Mercer	North Mercer Co. R-III	7	196	3.6	42	188	22.3	0	185	0.0	0	193	0.0	0	207	0.0
	Princeton R-V	23	418	5.5	0	404	0.0	0	385	0.0	0	391	0.0	1	400	0.3
Miller	Eldon R-I	1,376	1,995	69.0	1,472	1,973	74.6	47	2,016	2.3	17	1,996	0.9	41	2,016	2.0
	Iberia R-V	7	786	0.9	16	752	2.1	10	752	1.3	3	743	0.4	8	753	1.1
	Miller Co. R-III	30	281	10.7	57	290	19.7	1	284	0.4	1	289	0.3	3	294	1.0
	School Of The Osage R-II	309	1,865	16.6	297	1,783	16.7	16	1,700	0.9	21	1,675	1.3	13	1,617	0.8
	St. Elizabeth R-IV	9	244	3.7	14	245	5.7	0	248	0.0	0	268	0.0	0	254	0.0
Mississippi	Charleston R-I	458	1,133	40.4	459	1,162	39.5	2	1,197	0.2	6	1,238	0.5	3	1,294	0.2
	East Prairie R-II	183	1,171	15.6	432	1,063	40.6	20	1,051	1.9	13	1,056	1.2	20	1,053	1.9
Moniteau	Clarksburg C-2	0	111	0.0	3	106	2.8	0	123	0.0	0	121	0.0	0	124	0.0
	High Point R-III	0	80	0.0	1	86	1.2	0	82	0.0	0	89	0.0	0	87	0.0
	Moniteau Co. C-1	40	228	17.5	8	222	3.6	0	208	0.0	1	207	0.5	1	201	0.5
	Moniteau Co. R-I	675	1,329	50.8	797	1,330	59.9	20	1,326	1.5	16	1,327	1.2	7	1,325	0.5
	Moniteau Co. R-V	1	55	1.8	2	52	3.8	0	59	0.0	0	65	0.0	2	66	3.0
	Moniteau Co. R-VI	112	600	18.7	87	622	14.0	7	615	1.1	0	589	0.0	1	585	0.2
Monroe	Hollday C-2	28	56	50.0	13	62	21.0	0	64	0.0	3	66	4.5	0	65	0.0
	Madison C-3	54	303	17.8	31	278	11.2	1	296	0.3	4	285	1.4	13	284	4.6
	Middle Grove C-1	1	40	2.5	0	40	0.0	0	44	0.0	0	32	0.0	0	36	0.0
	Monroe City R-I	501	756	66.3	507	743	68.2	6	789	0.8	6	761	0.8	0	776	0.0
	Paris R-II	6	533	1.1	0	497	0.0	1	520	0.2	1	564	0.2	1	563	0.2
Montgomery	Montgomery Co. R-II	760	1,356	56.0	761	1,338	56.9	40	1,347	3.0	23	1,341	1.7	11	1,330	0.8
	Wellsville Middletown R-I	77	505	15.2	47	468	10.0	11	463	2.4	5	471	1.1	1	480	0.2
Morgan	Morgan Co. R-I	998	739	135.0	618	765	80.8	10	755	1.3	17	746	2.3	13	706	1.8
	Morgan Co. R-II	1,193	1,495	79.8	1,165	1,501	77.6	18	1,503	1.2	23	1,569	1.5	18	1,611	1.1
New Madrid	Gideon 37	38	360	10.6	0	340	0.0	1	352	0.3	0	351	0.0	3	376	0.8
	New Madrid Co. R-I	823	1,707	48.2	795	1,719	46.2	29	1,719	1.7	39	1,767	2.2	92	1,846	5.0
	Portageville	317	820	38.7	365	772	47.3	16	801	2.0	31	794	3.9	20	803	2.5
	Risco R-II	29	201	14.4	39	190	20.5	1	198	0.5	1	204	0.5	1	220	0.5
Newton	Diamond R-IV	350	968	36.2	575	924	62.2	8	903	0.9	27	848	3.2	31	812	3.8
	East Newton Co. R-VI	252	1,667	15.1	217	1,597	13.6	27	1,579	1.7	19	1,550	1.2	22	1,493	1.5
	Neosho R-V	2,032	4,480	45.4	1,371	4,349	31.5	48	4,266	1.1	106	4,220	2.5	162	4,212	3.8
	Seneca R-VII	919	1,676	54.8	983	1,612	61.0	11	1,637	0.7	27	1,689	1.6	8	1,683	0.5
	Westview C-6	42	159	26.4	23	164	14.0	0	160	0.0	1	154	0.6	5	154	3.2
Nodaway	Jefferson C-123	4	156	2.6	2	150	1.3	0	156	0.0	0	151	0.0	0	157	0.0
	Maryville R-II	192	1,338	14.3	342	1,337	25.6	3	1,299	0.2	3	1,284	0.2	0	1,300	0.0
	Nodaway-Holt R-VII	61	250	24.4	102	264	38.6	0	260	0.0	0	265	0.0	1	275	0.4
	North Nodaway Co. R-VI	21	265	7.9	14	237	5.9	1	250	0.4	0	256	0.0	0	255	0.0
	Northeast Nodaway Co. R-V	15	223	6.7	23	215	10.7	0	225	0.0	0	231	0.0	1	240	0.4
	South Nodaway Co. R-IV	14	203	6.9	30	200	15.0	0	197	0.0	0	206	0.0	0	205	0.0
	West Nodaway Co. R-I	193	316	61.1	43	327	13.1	2	342	0.6	1	329	0.3	4	353	1.1
Oregon	Alton R-IV	362	774	46.8	328	763	43.0	8	734	1.1	4	761	0.5	4	744	0.5
	Couch R-I	71	269	26.4	41	297	13.8	2	276	0.7	0	270	0.0	0	257	0.0
	Oregon-Howell R-III	16	300	5.3	3	330	0.9	0	329	0.0	0	329	0.0	4	315	1.3
	Thayer R-II	53	667	7.9	74	656	11.3	5	662	0.8	6	640	0.9	0	636	0.0
Osage	Osage Co. R-I	32	217	14.7	109	214	50.9	3	230	1.3	5	230	2.2	1	239	0.4
	Osage Co. R-II	312	663	47.1	442	688	64.2	6	705	0.9	3	708	0.4	4	694	0.6
	Osage Co. R-III	353	776	45.5	201	770	26.1	0	784	0.0	2	810	0.2	1	830	0.1

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

County	School District	School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
		Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Ozark	Bakersfield R-IV	299	401	74.6	154	398	38.7	3	380	0.8	0	372	0.0	0	367	0.0
	Dora R-III	12	310	3.9	1	314	0.3	0	306	0.0	3	312	1.0	1	319	0.3
	Gainesville R-V	180	604	29.8	161	633	25.4	3	655	0.5	2	694	0.3	2	699	0.3
	Lutie R-VI	73	212	34.4	18	192	9.4	0	200	0.0	0	218	0.0	2	222	0.9
	Thornfield R-I	0	74	0.0	0	76	0.0	0	86	0.0	0	87	0.0	0	87	0.0
Pemiscot	Caruthersville 18	0	1,503	0.0	1,543	1,505	102.5	82	1,515	5.4	41	1,562	2.6	23	1,639	1.4
	Cooter R-IV	0	337	0.0	0	331	0.0	0	325	0.0	0	303	0.0	0	277	0.0
	Delta C-7	12	216	5.6	13	246	5.3	3	265	1.1	0	277	0.0	2	293	0.7
	Hayti R-II	705	865	81.5	909	868	104.7	18	882	2.0	12	913	1.3	42	913	4.6
	North Pemiscot Co. R-I	170	344	49.4	183	352	52.0	1	351	0.3	2	415	0.5	2	428	0.5
	Pemiscot Co. R-III	12	142	8.5	18	169	10.7	1	163	0.6	5	173	2.9	0	158	0.0
	South Pemiscot Co. R-V	72	782	9.2	56	769	7.3	2	773	0.3	6	787	0.8	9	814	1.1
Perry	Altenburg 48	0	101	0.0	0	157	0.0	0	158	0.0	0	156	0.0	0	156	0.0
	Perry Co. 32	1,518	2,332	65.1	1,301	2,226	58.4	37	2,195	1.7	55	2,232	2.5	42	2,270	1.9
Pettis	Green Ridge R-VIII	50	436	11.5	57	421	13.5	0	397	0.0	0	384	0.0	0	394	0.0
	La Monte R-IV	115	383	30.0	34	382	8.9	4	362	1.1	0	371	0.0	4	356	1.1
	Pettis Co. R-V	72	414	17.4	97	399	24.3	2	416	0.5	2	414	0.5	4	443	0.9
	Pettis Co. R-XII	37	164	22.6	0	173	0.0	0	177	0.0	0	166	0.0	0	165	0.0
	Sedalia 200	2,452	4,536	54.1	2,364	4,335	54.5	131	4,286	3.1	9	4,234	0.2	47	4,191	1.1
Phelps	Smithton R-VI	79	608	13.0	271	592	45.8	3	585	0.5	3	596	0.5	1	605	0.2
	Newburg R-II	112	483	23.2	177	520	34.0	9	503	1.8	6	499	1.2	7	512	1.4
	Phelps Co. R-III	56	194	28.9	39	191	20.4	1	203	0.5	0	206	0.0	0	190	0.0
	Rolla 31	1,413	4,079	34.6	1,684	4,056	41.5	81	4,069	2.0	53	4,084	1.3	49	4,110	1.2
Pike	St. James R-I	996	1,828	54.5	872	1,818	48.0	29	1,820	1.6	34	1,828	1.9	15	1,826	0.8
	Boncl R-X	0	41	0.0	0	43	0.0	0	36	0.0	0	44	0.0	0	46	0.0
	Bowling Green R-I	454	1,392	32.6	471	1,447	32.6	16	1,466	1.1	23	1,498	1.5	19	1,491	1.3
Platte	Louisiana R-II	233	773	30.1	171	792	21.6	19	807	2.4	21	798	2.6	32	804	4.0
	Pike Co. R-III	0	603	0.0	12	560	2.1	1	575	0.2	7	562	1.2	2	561	0.4
	North Platte Co. R-I	7	708	1.0	36	715	5.0	0	705	0.0	0	703	0.0	1	728	0.1
	Park Hill	3,448	10,021	34.4	3,342	9,648	34.6	305	9,498	3.2	99	9,460	1.0	116	9,343	1.2
Polk	Platte Co. R-III	1,045	2,863	36.5	1,390	2,721	51.1	31	2,541	1.2	19	2,406	0.8	6	2,280	0.3
	West Platte Co. R-II	79	655	12.1	109	644	16.9	5	656	0.8	7	690	1.0	7	686	1.0
	Bolivar R-I	828	2,581	32.1	942	2,451	38.4	27	2,375	1.1	31	2,375	1.3	32	2,350	1.4
	Fair Play R-II	131	377	34.7	110	364	30.2	2	381	0.5	5	372	1.3	4	376	1.1
	Halfway R-III	172	305	56.4	188	295	63.7	58	280	20.7	42	284	14.8	64	280	22.9
	Humansville R-IV	131	406	32.3	181	400	45.3	12	431	2.8	4	414	1.0	1	419	0.2
	Marion C. Early R-V	245	807	30.4	80	736	10.9	10	686	1.5	12	667	1.8	9	681	1.3
Pulaski	Pleasant Hope R-VI	187	951	19.7	231	914	25.3	13	939	1.4	15	945	1.6	22	981	2.2
	Crocker R-II	218	577	37.8	229	536	42.7	3	523	0.6	1	529	0.2	0	527	0.0
	Dixon R-I	513	1,136	45.2	828	1,066	77.7	3	1,065	0.3	12	1,096	1.1	5	1,086	0.5
	Laquey R-V	51	779	6.5	20	725	2.8	25	722	3.5	30	678	4.4	15	630	2.4
	Richland R-IV	114	657	17.4	190	634	30.0	25	655	3.8	6	659	0.9	13	664	2.0
	Swedeborg R-III	0	47	0.0	0	45	0.0	0	56	0.0	0	59	0.0	0	53	0.0
	Waynesville R-VI	1,144	5,367	21.3	957	5,237	18.3	83	5,157	1.6	67	5,169	1.3	92	5,147	1.8
Putnam	Putnam Co. R-I	153	797	19.2	123	775	15.9	7	783	0.9	8	801	1.0	2	795	0.3
Ralls	Ralls Co. R-II	138	818	16.9	165	860	19.2	7	814	0.9	4	863	0.5	2	896	0.2
Randolph	Higbee R-VIII	102	241	42.3	100	245	40.8	7	240	2.9	0	209	0.0	3	220	1.4
	Moberly	1,448	2,439	59.4	1,439	2,309	62.3	22	2,250	1.0	32	2,247	1.4	31	2,199	1.4
	Northeast Randolph Co. R-IV	118	465	25.4	126	422	29.9	0	414	0.0	1	434	0.2	1	415	0.2
	Renick R-V	1	173	0.6	1	158	0.6	0	161	0.0	0	148	0.0	2	136	1.5
	Westran R-I	359	676	53.1	141	662	21.3	1	690	0.1	8	721	1.1	1	709	0.1

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

		School Year																
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003				
County	School District			Incident Rate			Incident Rate			Incident Rate			Incident Rate			Incident Rate		
		Total Incidents	Enrollment	Per 100 Students	Total Incidents	Enrollment	Per 100 Students	Total Incidents	Enrollment	Per 100 Students	Total Incidents	Enrollment	Per 100 Students	Total Incidents	Enrollment	Per 100 Students		
Ray	Hardin-Central C-2	36	221	16.3	30	220	13.6	0	211	0.0	0	214	0.0	0	222	0.0		
	Lawson R-XIV	435	1,347	32.3	650	1,351	48.1	6	1,315	0.5	21	1,344	1.6	7	1,316	0.5		
	Orrick R-XI	56	440	12.7	71	444	16.0	0	450	0.0	3	462	0.6	5	456	1.1		
	Richmond R-XVI	362	1,699	21.3	257	1,740	14.8	27	1,726	1.6	12	1,734	0.7	37	1,772	2.1		
	Stet R-XV	0	115	0.0	0	104	0.0	0	103	0.0	0	98	0.0	0	92	0.0		
Reynolds	Bunker R-III	38	242	15.7	0	267	0.0	2	269	0.7	1	269	0.4	0	278	0.0		
	Centerville R-I	0	62	0.0	2	66	3.0	0	62	0.0	0	73	0.0	0	74	0.0		
	Lesterville R-IV	181	259	69.9	37	257	14.4	3	265	1.1	0	259	0.0	1	264	0.4		
	Southern Reynolds Co. R-II	127	604	21.0	128	568	22.5	16	552	2.9	7	547	1.3	2	544	0.4		
Ripley	Doniphan R-I	345	1,673	20.6	272	1,673	16.3	44	1,710	2.6	30	1,646	1.8	36	1,619	2.2		
	Naylor R-II	61	390	15.6	39	405	9.6	6	404	1.5	0	397	0.0	7	383	1.8		
	Ripley Co. R-III	1	129	0.8	1	126	0.8	0	107	0.0	3	104	2.9	5	108	4.6		
	Ripley Co. R-IV	8	161	5.0	16	139	11.5	9	137	6.6	4	151	2.6	0	157	0.0		
Saline	Gilliam C-4	7	47	14.9	2	47	4.3	0	47	0.0	0	48	0.0	0	43	0.0		
	Hardeman R-X	24	53	45.3	12	53	22.6	0	55	0.0	0	58	0.0	0	63	0.0		
	Malta Bend R-V	73	137	53.3	4	132	3.0	1	122	0.8	0	117	0.0	0	132	0.0		
	Marshall	1,344	2,475	54.3	1,677	2,481	67.6	78	2,456	3.2	60	2,431	2.5	50	2,385	2.1		
	Miami R-I	11	62	17.7	1	77	1.3	0	87	0.0	0	91	0.0	0	86	0.0		
	Oreaville R-IV	1	38	2.6	3	53	5.7	0	54	0.0	0	56	0.0	0	59	0.0		
	Slater	162	398	40.7	209	373	56.0	1	406	0.2	8	413	1.9	10	433	2.3		
	Sweet Springs R-VII	129	471	27.4	123	438	28.1	0	432	0.0	2	411	0.5	2	430	0.5		
Schuyler	Schuyler Co. R-I	269	728	37.0	0	745	0.0	3	731	0.4	1	723	0.1	2	744	0.3		
Scotland	Gorin R-III	0	27	0.0	0	37	0.0	0	41	0.0	0	44	0.0	0	52	0.0		
	Scotland Co. R-I	41	642	6.4	0	642	0.0	0	654	0.0	5	646	0.8	5	640	0.8		
Scott	Chaffee R-II	132	581	22.7	68	577	11.8	16	563	2.8	8	562	1.4	8	591	1.4		
	Kelso C-7	0	116	0.0	10	114	8.8	0	121	0.0	2	111	1.8	0	134	0.0		
	Oran R-III	35	351	10.0	56	359	15.6	0	371	0.0	0	363	0.0	0	367	0.0		
	Scott City R-I	472	1,006	46.9	493	1,007	49.0	30	1,008	3.0	15	1,021	1.5	7	1,025	0.7		
	Scott Co. Central	115	361	31.9	184	347	53.0	0	379	0.0	2	391	0.5	0	418	0.0		
	Scott Co. R-IV	438	1,001	43.8	150	1,024	14.6	20	1,028	1.9	18	1,041	1.7	4	1,017	0.4		
	Sikeston R-6	2,920	3,785	77.1	2,289	3,710	61.7	77	3,792	2.0	129	3,839	3.4	262	3,776	6.9		
Shannon	Eminence R-I	74	279	26.5	37	260	14.2	1	274	0.4	1	289	0.3	2	295	0.7		
	Winona R-III	0	545	0.0	0	549	0.0	0	565	0.0	0	567	0.0	0	586	0.0		
Shelby	North Shelby	28	344	8.1	24	366	6.6	0	372	0.0	0	364	0.0	0	364	0.0		
	Shelby Co. R-IV	47	804	5.8	21	769	2.7	2	766	0.3	6	789	0.8	5	776	0.6		
St. Charles	Francis Howell R-III	4,633	22,363	20.7	4,921	18,203	27.0	315	18,336	1.7	244	18,360	1.3	290	18,484	1.6		
	Ft. Zumwalt R-II	4,496	18,776	23.9	1,727	18,703	9.2	403	18,496	2.2	447	18,156	2.5	416	17,679	2.4		
	Orchard Farm R-V	649	1,284	50.5	621	1,294	48.0	64	1,227	5.2	63	1,247	5.1	31	1,287	2.4		
	St. Charles R-VI	2,051	5,580	36.8	581	5,733	10.1	134	5,881	2.3	126	5,876	2.1	160	5,879	2.7		
	Wentzville R-IV	4,765	10,508	45.3	4,339	9,625	45.1	170	8,720	1.9	187	7,788	2.4	191	6,999	2.7		
St. Clair	Appleton City R-II	133	393	33.8	48	387	12.4	2	399	0.5	3	434	0.7	5	419	1.2		
	Lakeland R-III	181	497	36.4	244	479	50.9	2	468	0.4	4	478	0.8	11	500	2.2		
	Osceola	153	575	26.6	189	552	34.2	10	547	1.8	3	550	0.5	0	496	0.0		
	Roscoe C-1	0	55	0.0	0	53	0.0	0	50	0.0	0	63	0.0	0	74	0.0		
St. Francois	Bismarck R-V	626	633	98.9	836	644	129.8	44	594	7.4	19	601	3.2	15	616	2.4		
	Central R-III	698	1,915	36.4	463	1,818	25.5	21	1,899	1.1	84	1,873	4.5	23	1,792	1.3		
	Farmington R-VII	2,209	3,771	58.6	1,902	3,691	51.5	40	3,612	1.1	65	3,629	1.8	89	3,646	2.4		
	North St. Francois Co. R-I	1,706	3,236	52.7	2,050	3,108	66.0	44	3,070	1.4	37	3,167	1.2	58	3,134	1.9		
	West St. Francois Co. R-IV	525	1,034	50.8	252	1,038	24.3	13	991	1.3	10	1,012	1.0	14	976	1.4		
St. Genevieve	Ste. Genevieve Co. R-II	1,655	2,021	81.9	1,233	2,029	60.8	39	2,083	1.9	43	2,128	2.0	54	2,162	2.5		

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

		School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
County	School District	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
St. Louis City	Missouri School For The Blind	0	71	0.0	0	83	0.0	0	93	0.0	0	100	0.0	0	*	NA
	St. Louis City	14,578	32,872	44.3	25,528	35,042	72.8	2,306	35,692	6.5	517	38,061	1.4	487	39,607	1.2
	St. Louis City Charter Schools	0	5,405	0.0	0	4,514	0.0	0	4,354	0.0	0	3,635	0.0	0	3,046	0.0
St. Louis Co.	Affton 101	2,305	2,500	92.2	1,632	2,507	65.1	56	2,481	2.3	51	2,526	2.0	61	2,571	2.4
	Bayless	162	1,617	10.0	235	1,574	14.9	66	1,596	4.1	26	1,550	1.7	21	1,487	1.4
	Brentwood	77	787	9.8	93	816	11.4	10	812	1.2	5	856	0.6	1	868	0.1
	Clayton	265	2,666	9.9	287	2,460	11.7	14	2,558	0.5	3	2,547	0.1	3	2,478	0.1
	Ferguson-Florissant R-II	14,866	12,848	115.7	13,182	12,319	107.0	812	12,220	6.6	324	12,081	2.7	220	11,949	1.8
	Hancock Place	1,079	1,867	57.8	886	1,779	49.8	19	1,878	1.0	53	1,816	2.9	46	1,802	2.6
	Hazelwood	3,778	19,269	19.6	3,787	19,556	19.4	1,358	19,315	7.0	1,239	19,311	6.4	972	19,266	5.0
	Jennings	2,777	3,352	82.8	2,456	3,264	75.2	127	3,227	3.9	82	3,246	2.5	99	3,131	3.2
	Kirkwood R-VII	2,120	5,266	40.3	1,611	4,995	32.3	126	5,027	2.5	132	5,109	2.6	137	5,101	2.7
	Ladue	147	3,522	4.2	481	3,357	14.3	46	3,293	1.4	26	3,204	0.8	70	3,272	2.1
	Lindbergh R-VIII	1,328	5,597	23.7	1,345	5,501	24.5	120	5,488	2.2	105	5,437	1.9	112	5,289	2.1
	Maplewood-Richmond Heights	0	1,024	0.0	310	971	31.9	67	1,001	6.7	52	1,013	5.1	34	1,062	3.2
	Mehlville R-IX	3,586	11,089	32.3	3,694	11,308	32.7	316	11,649	2.7	417	11,727	3.6	163	11,799	1.4
	Normandy	0	5,417	0.0	5,396	5,526	97.6	432	5,600	7.7	373	5,591	6.7	316	5,860	5.4
	Parkway C-2	3,205	18,432	17.4	3,780	18,787	20.1	574	18,994	3.0	499	19,578	2.5	543	19,928	2.7
	Pattonville R-III	2,093	5,753	36.4	2,924	5,776	50.6	273	5,690	4.8	280	5,946	4.7	255	6,066	4.2
	Ritenour	986	6,247	15.8	0	6,154	0.0	382	6,101	6.3	334	6,174	5.4	335	6,322	5.3
	Riverview Gardens	42	7,870	0.5	8,052	8,032	100.2	888	7,981	11.1	670	7,877	8.5	70	7,778	0.9
	Rockwood R-VI	5,458	22,544	24.2	1,328	22,047	6.0	250	21,871	1.1	115	22,034	0.5	108	21,894	0.5
	Special School District St. Louis Co.	2,734	2,087	131.0	3,222	2,105	153.1	88	2,079	4.2	55	2,047	2.7	82	2,184	3.8
	University City	2,151	3,636	59.2	2,397	3,608	66.4	142	3,784	3.8	42	3,974	1.1	92	4,190	2.2
	Valley Park	597	1,054	56.6	705	963	73.2	27	1,018	2.7	32	1,061	3.0	42	1,048	4.0
	Webster Groves	1,151	4,103	28.1	1,120	4,068	27.5	81	4,105	2.0	70	4,186	1.7	74	4,116	1.8
	Wellston	596	633	94.2	109	577	18.9	26	561	4.6	17	524	3.2	2	747	0.3
Stoddard	Advance R-IV	12	416	2.9	13	438	3.0	4	420	1.0	3	466	0.6	2	476	0.4
	Bell City R-II	49	262	18.7	54	264	20.5	2	304	0.7	4	308	1.3	0	293	0.0
	Bernie R-XIII	71	613	11.6	53	567	9.3	0	599	0.0	5	581	0.9	15	592	2.5
	Bloomfield R-XIV	234	815	28.7	192	763	25.2	2	762	0.3	1	806	0.1	1	823	0.1
	Dexter R-XI	246	2,069	11.9	218	2,044	10.7	12	2,049	0.6	7	2,062	0.3	14	2,064	0.7
	Puxico R-VIII	57	877	6.5	170	882	19.3	1	948	0.1	5	927	0.5	13	937	1.4
	Richland R-I	84	347	24.2	62	387	16.0	3	395	0.8	14	406	3.4	17	418	4.1
Stone	Blue Eye R-V	6	711	0.8	8	695	1.2	6	684	0.9	11	716	1.5	4	740	0.5
	Crane R-III	21	734	2.9	2	716	0.3	9	728	1.2	2	687	0.3	0	680	0.0
	Galena R-II	519	583	89.0	268	566	47.3	4	544	0.7	15	534	2.8	1	537	0.2
	Hurley R-I	56	264	21.2	0	249	0.0	1	248	0.4	1	270	0.4	1	283	0.4
	Reeds Spring R-IV	994	2,166	45.9	1,445	2,116	68.3	60	2,101	2.9	29	2,106	1.4	49	2,093	2.3
Sullivan	Green City R-I	91	329	27.7	98	317	30.9	7	324	2.2	4	322	1.2	3	320	0.9
	Milan C-2	144	706	20.4	109	705	15.5	7	678	1.0	3	692	0.4	20	700	2.9
	Newtown-Harris R-III	30	111	27.0	28	91	30.8	0	103	0.0	0	123	0.0	0	125	0.0
Taney	Bradleyville R-I	41	211	19.4	33	203	16.3	0	177	0.0	6	185	3.2	2	206	1.0
	Branson R-IV	1,641	3,856	42.6	1,289	3,563	36.2	59	3,415	1.7	56	3,336	1.7	55	3,143	1.7
	Forsyth R-III	373	1,187	31.4	487	1,174	41.5	30	1,163	2.6	20	1,132	1.8	20	1,103	1.8
	Hollister R-V	1,011	1,235	81.9	1,338	1,149	116.4	36	1,175	3.1	19	1,152	1.6	19	1,193	1.6
	Kirbyville R-VI	156	343	45.5	256	333	76.9	2	347	0.6	2	344	0.6	7	347	2.0
	Mark Twain R-VIII	11	60	18.3	5	77	6.5	0	76	0.0	0	59	0.0	0	63	0.0
	Taneyville R-II	103	229	45.0	69	212	32.5	1	229	0.4	3	229	1.3	0	230	0.0

Appendix F

SAFE SCHOOLS INITIATIVES
SCHEDULE OF STUDENT DISCIPLINE INCIDENTS BY SCHOOL DISTRICT

County	School District	School Year														
		2006-2007			2005-2006			2004-2005			2003-2004			2002-2003		
		Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students	Total Incidents	Enrollment	Incident Rate Per 100 Students
Texas	Cabool R-IV	24	818	2.9	19	821	2.3	16	860	1.9	25	871	2.9	13	828	1.6
	Houston R-I	773	1,072	72.1	668	1,038	64.4	11	1,016	1.1	5	1,022	0.5	2	1,000	0.2
	Licking R-VIII	383	869	44.1	394	885	44.5	6	838	0.7	6	841	0.7	3	842	0.4
	Plato R-V	430	659	65.3	284	616	46.1	8	565	1.4	11	521	2.1	8	533	1.5
	Raymondville R-VII	55	125	44.0	12	120	10.0	0	125	0.0	0	122	0.0	0	117	0.0
	Success R-VI	7	92	7.6	0	105	0.0	0	107	0.0	0	112	0.0	0	112	0.0
	Summersville R-II	0	432	0.0	0	444	0.0	0	463	0.0	0	486	0.0	0	517	0.0
Vernon	Bronaugh R-VII	46	243	18.9	32	230	13.9	2	216	0.9	0	226	0.0	1	231	0.4
	Nevada R-V	0	2,664	0.0	0	2,598	0.0	36	2,563	1.4	38	2,522	1.5	19	2,552	0.7
	Northeast Vernon Co. R-I	16	249	6.4	249	211	118.0	0	212	0.0	2	230	0.9	0	220	0.0
	Sheldon R-VIII	46	195	23.6	99	180	55.0	7	175	4.0	1	185	0.5	2	187	1.1
Warren	Warren Co. R-III	2,249	2,977	75.5	2,036	2,837	71.8	47	2,772	1.7	52	2,693	1.9	42	2,668	1.6
	Wright City R-II	1,296	1,460	88.8	1,386	1,438	96.4	61	1,415	4.3	11	1,350	0.8	21	1,340	1.6
Washington	Kingston K-14	589	806	73.1	602	807	74.6	60	827	7.3	89	874	10.2	12	872	1.4
	Potosi R-III	936	2,452	38.2	758	2,419	31.3	88	2,403	3.7	70	2,355	3.0	53	2,337	2.3
	Richwoods R-VII	2	188	1.1	80	184	43.5	2	187	1.1	1	178	0.6	0	172	0.0
	Valley R-VI	455	468	97.2	77	485	15.9	5	486	1.0	2	490	0.4	1	475	0.2
Wayne	Clearwater R-I	798	1,144	69.8	764	1,090	70.1	25	1,096	2.3	35	1,173	3.0	9	1,161	0.8
	Greenville R-II	301	796	37.8	569	801	71.0	30	844	3.6	28	814	3.4	26	800	3.3
Webster	Fordland R-III	185	615	30.1	253	628	40.3	8	636	1.3	7	603	1.2	0	612	0.0
	Marshfield R-I	1,018	3,086	33.0	694	3,008	23.1	35	2,994	1.2	45	2,984	1.5	48	2,853	1.7
	Niangua R-V	255	227	112.3	307	232	132.3	4	237	1.7	1	251	0.4	3	307	1.0
	Seymour R-II	884	916	96.5	756	889	85.0	16	905	1.8	27	921	2.9	19	903	2.1
Worth	Worth Co. R-III	63	379	16.6	46	379	12.1	2	378	0.5	0	389	0.0	1	380	0.3
Wright	Hartville R-II	340	757	44.9	45	740	6.1	14	736	1.9	18	734	2.5	8	790	1.0
	Manes R-V	0	65	0.0	0	69	0.0	0	62	0.0	0	63	0.0	0	70	0.0
	Mansfield R-IV	583	733	79.5	314	698	45.0	3	668	0.4	2	692	0.3	1	689	0.1
	Mountain Grove R-III	1,074	1,486	72.3	857	1,496	57.3	4	1,490	0.3	8	1,536	0.5	4	1,564	0.3
	Norwood R-I	78	449	17.4	67	445	15.1	9	462	1.9	8	443	1.8	4	450	0.9
NA	Division Of Youth Services	0	851	0.0	0	841	0.0	0	827	0.0	0	952	0.0	0	900	0.0
NA	State School For Severely Handicapped	0	988	0.0	0	1,022	0.0	0	982	0.0	0	975	0.0	0	*	NA
		349,560	920,454	38.0	364,400	899,997	40.5	27,182	894,855	3.0	27,317	896,186	3.0	16,815	894,469	1.9

* No enrollment data recorded for the 2002-2003 school year.

Note: Data represents incidents reported on the Department of Elementary and Secondary Education's Core Data system as of August 15, 2007. As noted in this report, the data is not always complete and accurate. In addition, in the 2006-2007 and 2005-2006 school years, school districts were instructed to report incidents resulting in suspensions of one-half day or more and expulsions. In previous years, school districts were instructed to report incidents resulting in suspensions of 10 or more days and expulsions.

Appendix G

SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Personnel of various state agencies identified the following programs as safety related programs provided to school districts from fiscal year 2003 to the present:

Program	Description/Objectives of the Program
Department of Agriculture (DOA)	
Integrated Pest Management (IPM) in Missouri Schools	This program is implementing a IPM model for adoption by schools in Missouri. The program has been funded through two federal Environmental Protections Agency grants which totaled over \$90,000. The first grant was awarded in 2004 through 2006 while the second grant was awarded in 2007 and will be funded through 2009. Adopting IPM in Missouri schools can reduce pesticide exposure to school staff and students.
Department of Elementary and Secondary Education (DESE)	
CHARACTERplus	The mission of CHARACTERplus is to "develop positive character traits in young people by providing a high quality character education process and resources to schools, homes, and communities." From fiscal years 2002 to 2007, the DESE paid approximately \$2.4 million in state funds to a contractor to administer the CHARACTERplus program to participating school districts, primarily in the St. Louis area. The fiscal year 2008 program funding totaled approximately \$835,000.
Internet Safety	The DESE partners with MOREnet to provide school districts an "Internet Safety Night", a video-conference geared toward practices and tools parents can use to help educate their children about the risks/dangers of Internet communications.
Missouri Center for Safe Schools (MCSS)	The MCSS is a statewide resource for school safety information. The center provides various services to school districts including safety reviews; safety coordinator training; and training on the issues of violence prevention, bullying prevention, Internet safety, emergency response, fight intervention, conflict resolution, and other aspects of school safety. The DESE has granted over \$200,000 in state funds annually to the center in the last several years.
Missouri Student Survey	See Department of Mental Health below.
Pupil Transportation	The DESE provides guidance to school districts regarding pupil transportation and transportation payments to school districts, totaling over \$162 million in state funds since fiscal year 2004. School districts may be reimbursed approximately 50 percent of school bus safety equipment (i.e. video cameras, two-way communication systems etc.). In addition, the DESE facilitates the School Bus Task Force committee which meets semiannually to discuss school transportation issues, including safety.
Safe and Drug-Free Schools and Communities Program	School districts must have a plan for keeping schools safe and drug-free that includes appropriate and effective discipline policies, security procedures, prevention activities, a student code of conduct, and a crisis management plan for responding to violent or traumatic incidents on school grounds. Since 2003, the DESE has provided federal funding totaling approximately \$5.3 million to \$6.6 million to school districts each year for these activities.

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SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Safe Schools Grant Program	Through this program, the DESE has awarded grants to school districts for prevention services, intervention services/alternative schools, security equipment, and school resource officers. Beginning in fiscal year 2007, grants are only awarded for intervention services. Grant payments totaling approximately \$20.1 million in state funds were made to over 150 school districts during the five years ended June 30, 2007.
School Renovation Grants	The DESE awarded grants to school districts on a competitive basis for school repairs and technological activities related to school renovation. The program was federally funded and expenditures totaled approximately \$16.9 million during the three years ended June 30, 2004.
School-Wide Positive Behavior Support (SW-PBS)	The purpose of SW-PBS is to improve school climate and safety through increasing the likelihood of appropriate student behaviors and social skills, as well as reducing the likelihood of inappropriate behaviors. The program was federally funded and the DESE provided grants totaling over \$375,000 to school districts for SW-PBS trainers during the five years ended June 30, 2007.
Teacher Certification/Background Checks	The DESE is responsible for ensuring background checks are conducted on applicants for educator certificates and for reviewing background check results.
<u>Department of Health and Senior Services (DHSS)</u>	
Adolescent Health Program	This program provides consultation, education, training, and resources to assist health professionals, school personnel, parents, adolescents, state agencies, community and state organizations to address various adolescent health concerns. The program is funded with federal monies.
Chemical Risk Mapping Project	This project gathers data on fixed chemical sites within each Missouri county and the sensitive populations, including schools, that are at risk from these sites. The DHSS plans to provide a list of schools at risk to the DESE. School officials will be encouraged to work with local health and emergency management officials to ensure plans are in place to respond to a chemical release that may affect a school.
Child Care Health Consultation	The DHSS contracts with Local Public Health Agencies to offer health and safety consultation, adult training, and children's health programs to all child care providers. Preschool and before/after school programs in schools are included in these services. Funding for the program is a federal block grant and a small amount of state funding.
Family Care Safety Registry (FCSR)	State law requires certain care givers, including child care workers, to register with the FCSR, and allows others to voluntarily register. Individuals and entities may request FCSR background checks. These background checks access several state agency databases including the Missouri State Highway Patrol's (MSHP) criminal records and sexual offender registry, the Department of Social Services' abuse/neglect records, and the Department of Mental Health's employee disqualification list. The FCSR operating costs totaled over \$3.2 million (excluding fringe benefits) in state funds for the five years ended June 30, 2007.

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SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Child Care Regulation	The DHSS is responsible for the licensing of child care centers in Missouri, including some centers associated with school districts. Centers administered by school districts are license-exempt, although some voluntarily become licensed. Other centers are located in buildings owned by school districts but are operated by outside agencies and therefore require licensure. In total, these two groups represent 350 licensed child care centers and have a combined licensed capacity of approximately 20,000 children. All licensed child care centers are required to conduct background screenings for all employees and volunteers, counted in child/staff ratios. Most providers use the FCSR to perform these background screenings for employees and volunteers.
Food Protection Program	The DHSS contracts with local health agencies to inspect various food service facilities, including school cafeterias. According to DHSS personnel, school facilities are inspected at least once a year.
Immunization Program	This program includes a survey and data collection process to address immunization rates for school children. In addition, the DHSS provides immunization-related information to school districts.
Indoor Air Program	This program seeks to improve indoor air quality in schools and other public buildings. The DHSS handles inquiries and complaints from building officials, parents, employees, or other citizens.
Maternal and Child Health (MCH) Program	The DHSS distributes certain federal funds to local public health agencies. These agencies may use the funds to provide programs related to safety in schools.
Public Health Event Detection and Assessment (PHEDA)	This program monitors health trends in Missouri in order to detect acts of bioterrorism, chemical terrorism, and similar events. Data is collected from various sources, including schools.
Radiological Emergency Preparedness Program (REP)	This program ensures the health and safety of the public from a release of radioactive material from the Callaway or Cooper Nuclear plants. Protective action recommendations are made to the individuals and entities within ten miles of the plants including the general public, schools, daycares, nursing homes, correctional facilities, hospitals, and transients. The State Emergency Management Agency and DHSS manage the program.
Ready in 3	This program's purpose is to increase awareness and encourage individuals to prepare in advance for emergency situations in three easy steps – create a plan; prepare a kit; and listen for information. The program includes materials and tools for many targeted groups such as schools, faith-based organizations, workplaces, adult care facilities, child care providers, seniors, special needs populations, children, and the general population. According to DHSS personnel, almost \$200,000 in federal funds has been spent on outreach about the program to Missouri schools during the four years ended June 30, 2007.

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SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Safe Kids	The DHSS contracts for services for preventing unintentional injuries and death in children aged 14 and under. Services include safety prevention and reinforcement programs and events and activities such as car seat installation and inspection, bike rodeos, helmet distribution, walk to school safety, fire drill and safety education, smoke detector distribution, and water safety education. The program is federally funded and expenditures totaled almost \$600,000 during the five years ended June 30, 2007.
School Age Child Care Orientation Training (SACOT)	Licensed child care center employees are required to receive 12 hours of training each year. SACOT is a six-hour training course specifically designed for school age child care providers, and is offered statewide at least once a year. During fiscal years 2002 through 2007, the DHSS paid contractors \$13,800 in state funds to provide this training.
School District Policies	The DHSS, in collaboration with the Safe Schools Working Group, is currently developing policies for school districts to follow in the event of an influenza pandemic. School districts will be encouraged to incorporate the policies into their emergency plans.
School Health Services	This program assures that school children have access to school nursing services by providing contracts to public school districts and local public health agencies to establish or expand health services for school-age children. The school safety services provided include suicide prevention and child abuse and neglect prevention education for staff; safety and interpersonal violence prevention education for students; and emergency action plan development. The program is a collaborative effort of the DHSS, DESE, and Department of Social Services. Contracts totaling approximately \$25 million were paid from state and federal funds during the five years ended June 30, 2007.
Schools' Preparedness Planning Project	Through a contract with the Missouri School Boards' Association, (MSBA), the DHSS developed a web-based program for public, private, and parochial schools to plan for biological and chemical events. The MSBA was paid over \$400,000 from federal funds during the two years ended June 30, 2007 to develop the program. Later, the program was expanded to include all hazards and other entities. See the Department of Public Safety.
Sexual Assault Prevention and Education Program	The DHSS, through contractors, provides sexual assault prevention education for children, teens and adults, as well as providing professional training to prevent sexual assault and dating violence. Services and education are provided to students and school personnel as well as law enforcement personnel, medical professionals, and the community. The program is funded with federal monies.
State Indoor Radon Program	This program, which receives both federal and state funding, focuses on educating citizens about radon and encouraging radon testing and mitigation in homes and schools. The DHSS plans to test all of the public schools in the state once every ten years. Private schools are also eligible for free radon testing upon request.

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SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Teen Outreach Program (TOP)	This program is a comprehensive youth development and service-learning program offered in after school hours settings (school and community) for middle school and high school students in three areas of the state. The program addresses a wide range of topics that can foster safe environments for young people. Youth participation in this program has steadily grown, from 55 youth during the pilot year of 2005 to 130 in 2007. The DHSS has spent approximately \$145,000 in federal funds to administer the program during the three years ended June 30, 2007.
ThinkFirst Missouri	This program is a trauma prevention program through the University of Missouri – Columbia School of Medicine, and provides education to prevent traumatic head and spinal cord injury to students in middle, junior high and senior high schools, at no costs to the schools. The program serves over 50 schools and 15,000 students each year. The DHSS provides the university \$42,000 in federal funds each year for the program.
Department of Mental Health (DMH)	
Disaster Mental Health	The DMH facilitates the Education Mental Health Disaster Readiness committee, which meets periodically to discuss issues surrounding disaster mental health in schools. In addition, through a partnership with the St. Louis University Heartland Centers, the DMH conducts periodic training for school personnel and others regarding the unique aspects of disaster mental health in a school setting. This training is funded with federal monies.
Drug Abuse Resistance Education (DARE) Training	The DMH contracts with the Missouri Police Chief's Charitable Foundation (MSHP prior to fiscal year 2006) to provide training to police officers to present the DARE program. This program teaches students how to recognize and to resist the pressure to be involved in drugs, gangs, and violent activities. The training is paid from federal funds and totaled over \$700,000 during the five years ended June 30, 2007.
Missouri Student Survey	The DMH and DESE conduct a joint Missouri Student Survey every two years showing trends in health-related behaviors of students in the state. The University of Missouri- Columbia School of Medicine evaluates and reports on the survey results. The survey is funded with federal monies.
School-Based Mental Health	In fiscal year 2008, the DMH provided one-time federal and state funding, totaling almost \$2.4 million, to the Springfield R-XII school district to continue a program for school based clinicians (SBC). The school district had received federal funds directly for the SBC program; however, the federal grant expired. The department provided funding to continue the program until the school district could find alternative funding. The SBC program provides mental health care professionals at 17 Springfield R-XII School District alternative, middle, and high schools who work directly with students, teachers, and their families to help foster a safe and healthy learning environment.

Appendix G

SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
School-based Prevention Intervention and Resources Initiative (SPIRIT)	This program offers a variety of evidence-based prevention programs to five school districts. The program objectives are to delay onset of substance use and decrease substance use, improve overall school performance, and reduce incidents of violence. During fiscal year 2007, over 5,000 children/youth participated in the program. The program expenditures, primarily funded with federal monies, totaled almost \$4.7 million during the five years ended June 30, 2007.
Youth Suicide Prevention Project	This project funds seven regional suicide prevention resource centers which provide educational programs and training to students and staff of schools in their area; suicide prevention programs that are coordinated through the University of Missouri – Columbia; staff and evaluation services; and awards to various entities, including schools, to create and carry out their own suicide prevention programs. Current project funding from two federal programs increased to \$550,000 from \$150,000 in fiscal year 2006.
Department of Natural Resources (DNR)	
Chemical Disposal	The DNR serves as a resource for school districts regarding the handling and disposal of hazardous chemicals.
Department of Public Safety (DPS)	
Active Shooter Training	The State Emergency Management Agency formed a partnership with the Missouri Sheriff's and Police Chief Associations for the development and conduct of a course designed to enhance the preparedness of Missouri schools for addressing the possibility of an active shooter event. Implementation of the course is pending receipt of U.S. Department of Homeland Security funding.
ChalleNGe Youth Program	This program administered by the Missouri National Guard served drop-out students at risk of drug use during fiscal years 1998 through 2003. The program was designed primarily for unemployed high school dropouts between the ages of 16 and 18 and targeted youth at risk of drug use. Participants received training directed at citizenship, life coping skills, job training and placement, personal development, group skills, and work/personal values. The program was funded with state and federal monies and the fiscal year 2003 expenditures totaled approximately \$1.4 million.
Conference on Coordinated School Safety and Security	In 2007, the DPS, Office of Homeland Security and DHSS supported MSBA's first annual conference on Coordinated School Safety and Security. The conference was to assist teachers, administrators, school board members, law enforcement, the health community, fire fighters, and others in keeping the schools safe.
Emergency Response Information Plan (ERIP)	The ERIP is an emergency school planning tool that is free to public and non-public K-12 schools, higher education institutions, and licensed child care centers to assist in planning and training for all types of emergency events. The tool allows law enforcement, fire and other emergency responders to access participating school's floor plans and other critical information via a web portal when responding to school emergencies. The tool expanded the DHSS's bioterrorism planning tool to include all hazards and is funded with federal monies. Fiscal year 2007 costs, covering planning tool and maintenance services through 2010, totaled approximately \$1.4 million.

Appendix G

SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Missouri Alert Network	The Missouri Alert Network is a rapid notification system for K-12 schools and higher education institutions. The network was implemented in fall 2007 through a partnership with the DPS and the MSBA. In the event of a statewide emergency or other situation that might have an impact on school security, the DPS can simultaneously deliver a message to officials at participating schools and higher education institutions. Messages would be delivered by telephone (landline or cellular), text, and/or email. School districts (public and non-public) and higher education institutions are provided this service for one contact person, and may purchase the service from the MSBA for \$100 per year for each additional contact. According to DPS officials, as of March 2008, 91 percent of Missouri public school districts and 17 higher education institutions were registered with the Missouri Alert Network.
Safe Schools Working Group	In April 2006, the Governor's Homeland Security Advisory Council established the Safe Schools Working Group. The group consists of representatives from school districts, law enforcement agencies, emergency responders, state agencies, and other related entities across the state and meets every other month. The group's projects have included the ERIP, hazardous chemicals in schools, bullying in the classroom, and pandemic influenza planning.
School Bus Inspection Program	The MSHP administers the school bus inspection program. School buses receive two safety inspections annually, one performed at public or private inspection stations prior to the start of the school year and another performed by patrol personnel beginning after February 1. The patrol also performs spot inspections of at least 10 percent of the statewide school bus fleet during the fall each year. In 2007, over 12,000 school buses were inspected by the patrol, which resulted in an 87 percent approval rate.
Department of Revenue (DOR)	
School Bus Driver Licensing	The DOR is responsible for issuing and renewing School Bus Endorsements for drivers transporting school students.
Department of Social Services (DSS)	
Division of Youth Services (DYS)	The DYS provides alternative education and training and employment services to youth placed with the DYS when the youth is prohibited from returning to school due to a Safe Schools Act violation. At June 30, 2007, approximately 80 youth were in the DYS's custody due to a Safe School Act violation.
Missouri School Violence Hotline	The hotline has been maintained since 2001 for people to report school violence or threats of such violence. Hotline personnel forward information to appropriate officials, including school districts, the DESE, and law enforcement. The hotline operates predominately through a grant from the DPS. Expenditures for the hotline totaled approximately \$1.2 million in federal and state funds during the five years ended June 30, 2007.

Appendix G

SAFE SCHOOLS INITIATIVES SCHEDULE OF STATE SAFE SCHOOLS PROGRAMS

Program	Description/Objectives of the Program
Department of Transportation (MoDOT)	
Safe Routes to School (SRTS)	This program, implemented in January 2006, provides grants to public and non-public schools to provide safer biking and walking accommodations for children in kindergarten to eighth grade and is designed to provide public awareness and outreach efforts and improve biking and walking conditions around schools. The program is federally funded and for the two years ended June 30, 2007, program expenditures totaled almost \$126,000.



Susan Montee, CPA
Missouri State Auditor

Fifteenth Judicial Circuit

City of Wellington Municipal Division



August 2008

Report No. 2008-51

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

August 2008

An audit was conducted by our office of the Fifteenth Judicial Circuit, city of Wellington Municipal Division.

During the year ended June 30, 2007, 29 cases were filed in the Wellington Municipal Division and receipts totaled over \$3,900. The Municipal Division's controls, records, and procedures need improvement. Duties are not adequately segregated, receipt slips are not prepared when monies are received, and receipts are not deposited timely. Additionally, a monthly report is not filed with the city, some tickets are not signed or initialed by the Prosecuting Attorney, and written agreements are not obtained from individuals allowed to pay court costs and fines over time. Finally, a control ledger showing the total amounts owed by defendants is not maintained.

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YELLOW SHEET

FIFTEENTH JUDICIAL CIRCUIT
CITY OF WELLINGTON
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fifteenth Judicial Circuit
and
Municipal Judge
Wellington, Missouri

We have audited certain operations of the city of Wellington Municipal Division of the Fifteenth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Wellington Municipal Division of the Fifteenth Judicial Circuit.

A petition audit of the city of Wellington fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA
Audit Manager: Toni M. Crabtree, CPA
In-Charge Auditor: Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FIFTEENTH JUDICIAL CIRCUIT
CITY OF WELLINGTON
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls, Records, and Procedures

The Municipal Division's controls, records, and procedures need improvement. Duties are not adequately segregated, receipt slips are not prepared when monies are received, and receipts are not deposited timely. Additionally, a monthly report is not filed with the city, some tickets are not signed or initialed by the Prosecuting Attorney, and written agreements are not obtained from individuals allowed to pay court costs and fines over time. Finally, a control ledger showing the total amounts owed by defendants is not maintained.

During the year ended June 30, 2007, 29 cases were filed in the Municipal Division and receipts totaled over \$3,900.

- A. The duties of receiving, recording, depositing, disbursing, and reconciling court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing municipal court monies from recording receipts. In addition, the Missouri Municipal Clerk Manual provides that someone other than the person who issued the receipts or checks should review the accounting records to verify that the receipts and checks are issued in sequence and recorded on the cash control record. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the bank reconciliations and the reconciliations of the receipts and deposits.

- B. Receipt slips are not prepared when monies are received. Generally, receipt slips are prepared on the court date and dated that date, regardless of when the monies were actually paid to the court. Also, a reconciliation between the composition of receipt slips issued and the monies deposited is not performed. We noted an instance when a receipt slip was not issued for a payment and another instance in which payments were received over a two month period; but were included on the same receipt slip.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. The receipt slip numbers should be accounted for and the composition should be reconciled to the bank deposits.

- C. Monies collected by the municipal division are not deposited on a timely basis. Usually, deposits are made more than a week after court is held. During the year ended June 30, 2007, the average deposit was \$488. In addition, one deposit, totaling \$280, was made more than four weeks after the court date.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

- D. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including the names of the defendant, fine imposed and the amount of court costs, to be verified by the Court Clerk or Municipal Judge and filed with the City Clerk.

- E. Traffic tickets were not always initialed or signed by the Prosecuting Attorney to indicate his review and/or approval.

Rule 23.01 (a) and Rule 19.08 of the Missouri Rules of Criminal Procedure provide the indictment or information for misdemeanors or felonies be in writing, signed by the prosecuting attorney, and filed in the court having jurisdiction of the offense and requires infractions to be subject to the same procedures as the prosecution of misdemeanors.

To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign or initial all tickets and summonses paid at or heard in court and all amended or nolle pros tickets, indicating his review and approval.

- F. The court allows defendants to pay fines and costs over a period of time; however, written or signed payment agreements are not obtained. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the court.
- G. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time and the court clerk keeps track of payments in the case files. However, a control ledger indicating the total amount owed by all defendants is not maintained.

A complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants and payments would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly.

WE RECOMMEND the Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court monies to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the record-keeping functions should be established.
- B. Issue receipt slips when monies are received. Additionally, the recorded receipts should be reconciled to the composition of deposits.
- C. Deposit receipts daily or when accumulated receipts exceed \$100.
- D. Prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.
- E. Require the Prosecuting Attorney to sign all tickets and summons to show his review and approval.
- F. Obtain a written and signed payment agreement for those defendants which are allowed to pay fines and court costs over a period of time.
- G. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

AUDITEE'S RESPONSE

We agree with the recommendations and intend to have all of them implemented within 60 days.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FIFTEENTH JUDICIAL CIRCUIT
CITY OF WELLINGTON
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Wellington Municipal Division is in the Fifteenth Judicial Circuit, which consists of Lafayette and Saline Counties. The Honorable Dennis A. Rolf serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	William Piedimonte
Court Clerk	Kelly Logan

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$3,904	6,935
Number of cases filed	29	122



Susan Montee, CPA
Missouri State Auditor

City of Wellington



August 2008

Report No. 2008-50

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

August 2008

The following findings were included in our audit report on the City of Wellington, Missouri.

There are numerous weaknesses in the city of Wellington's accounting controls, records, and procedures. An independent review of the City Clerk's activities is not performed, separate funds are not maintained for the utility operations, adequate documentation is not maintained for some expenses, and a fund and/or accounting for law enforcement training (LET) fees has not been established. In addition, the city should consider consolidating its bank accounts and certificates of deposit and bid its bank services.

During the year ended June 30, 2007, the City Collector collected property taxes and utility payments totaling over \$27,000 and \$216,000, respectively. There is no independent review of the collector's activities; an account book is not maintained; the board does not approve all additions/deletions to the tax records; the method of payment is not always recorded on the city's copy of tax statements; and reports regarding tax collections and delinquent tax lists are not prepared.

Budgets are not prepared and semi-annual financial statements are not published as required by state law. The official budgets are not always updated to reflect budget amendments or retained, and monthly budget to actual reports are not retained. Also, the city does not prepare an annual maintenance plan for city streets.

Although monthly reports comparing amounts billed, collected, and delinquencies are generated from the computerized utility system, the reports are not reconciled to each other, to bank deposits, or to the City Collector's receipt record. Thus, discrepancies are not investigated and resolved. In March 2008, the City Clerk reviewed deposits for water to determine if the deposits were held on closed accounts, refunded, or transferred to an open account for the same customer. Records show water deposits totaling \$17,770, including an additional \$3,000 recorded twice for the same customers and \$1,000 which may have been refunded. The computerized utility records showed a deposit total of \$21,770. It also appears the city is not properly applying the delinquent payment penalty in compliance with its water regulations.

The city is over-funding the debt service account for its Combined Waterworks/Sewerage System revenue bonds. According to the bond covenant, the debt service account is to be funded up to the total needed for one year's principal and interest.

(over)

YELLOW SHEET

The city does not have formal written bidding and purchasing policies. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. According to the City Clerk, the city frequently obtains proposals or quotes in writing or over the telephone; however, these proposals/quotes are not always retained.

During the period July 2006 to December 2007, bids were either not solicited and/or bid documentation was not retained for the following: \$62,575 for paving, \$2,195 for fencing, \$3,683 for a salt and sand spreader, \$56,823 for water and sewer repairs, and at least \$2,430 for rock. Additionally, supporting documentation for the city's charge cards is not always adequate and not all disbursements are reviewed and approved by the board.

Also included in the audit report are recommendations related to professional services and contracts, board minutes, meetings and ordinances, payroll and personnel issues, and capital assets.

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CITY OF WELLINGTON

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Wellington, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Wellington. The city engaged Randall Fiene, Certified Public Accountant (CPA), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed

and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Wellington.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF WELLINGTON
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls, Records, and Procedures
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There are numerous weaknesses in the city's accounting controls, records, and procedures. An independent review of the City Clerk's activities is not performed, separate funds are not maintained for the utility operations, adequate documentation is not maintained for some expenses, and a fund and/or accounting for law enforcement training (LET) fees has not been established. In addition, the city should consider consolidating its bank accounts and certificates of deposit and bid its bank services. Finally, the city needs to ensure an individual with adequate knowledge and skills prepares and/or oversees the preparation of the city's financial statements and related notes.

- A. There is no independent oversight or adequate segregation of duties related to the city clerk's office. The City Clerk's duties include billing and recording utility payments, performing bank reconciliations, maintaining payroll records, recording disbursement information, preparing and distributing checks, and preparing monthly financial reports. Additionally, the City Clerk provides one of the two required signatures on checks. There was no evidence the board provided adequate supervision or review of the work performed by the City Clerk. The current procedures jeopardize the system of independent checks and balances.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary.

The city's independent auditors also reported this weakness in their report on internal control and compliance for the year ended June 30, 2007.

- B. The city needs to improve its accounting records. A complete financial accounting system has not been established.
1. The city does not maintain separate funds for the financial activity of its utility (water and sewer) operations. Currently, the water and sewer activity is accounted for in the same fund, the Proprietary Fund. The receipts, disbursements, and accumulated balances of the respective utility operations are not accounted for separately.

The utility operations are separate accounting entities designed to account for specific city activities. Utility receipts should be used only to fund the

operations of the respective utility services. Rates for utility services should be set to cover the costs of producing and delivering the service (including administrative costs), repaying debt, if applicable, and repairing and replacing infrastructure.

Receipts and disbursements associated with specific activities should be recorded in a fund established to account for these activities. Complete and organized accounting records are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made.

2. Adequate documentation is not maintained to support the allocation of some wage expenses among the various funds.

The City Clerk's wages are allocated equally between the General Fund and the Proprietary Fund. Additionally, \$650 is transferred monthly from the Street Fund to the Proprietary Fund to cover a portion of the water/street department supervisor's salary. No detail of the activities performed by these employees was maintained. Consequently, the city has no support or reasons for these allocations.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes. Salary expense should be allocated to the various city funds based on actual time or estimated time based on historical data.

3. Although the city retains an administration fee of 75 cents from each customer's monthly payments for trash services, the city has not documented the administrative costs of providing trash collection services. With an average of 350 trash customers per month, this administrative fee totals over \$3,100 a year. There was no documentation which showed how the administrative fee for the trash service was determined.

The city should calculate and document the administrative costs of providing trash collection services. The user fee charged to city residents should be set at a level sufficient to cover the costs of the service.

4. The city has not established a separate fund and/or accounting for LET fees. These fees are recorded in the General Fund. Although the city has a specific disbursement category for police training, the LET fees are included with other court fees in a revenue category, and a balance for the

fees is not maintained. According to city records, during the year ended June 30, 2007, the city received LET fees totaling \$64 and there were no disbursements for police training.

Section 488.5336, RSMo, provides that LET fees should only be used to pay for the training of peace officers or other law enforcement personnel. In addition, the city cannot retain more than \$1,500 of fees for each certified law enforcement officer. Any excess fees should be remitted quarterly to the city's general fund.

The city should establish a separate fund and/or accounting for LET fees and ensure the fees are used in accordance with state law.

- C. The city should consider consolidating its bank accounts and certificates of deposit. At June 30, 2007, the city maintained six checking accounts and two savings accounts, with a cash balance totaling over \$480,000. In July 2007, the city used excess funds to purchase five certificates of deposit.

Except for the separate accounts required by bond covenants, it appears the remaining bank accounts and certificates of deposit could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. A large number of accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Consolidating accounts would also allow funds to be pooled for increased investment opportunities. At June 30, 2007, the city was earning 0.55 percent and 1.56 percent interest on its general operating and savings accounts, respectively. The city is earning 5.39 percent on its certificates of deposit.

- D. The city has not solicited bids for its bank services. The city has maintained its bank accounts and certificates of deposit with the same bank for many years.

To ensure the quality of banking services and interest earnings received are maximized, the city should procure its banking services through a competitive bid process. In addition, the city should enter into a written agreement with its depository bank which should include, but not be limited to, provisions addressing any bank fees for check printing, checking account services, and interest rates for invested funds. A written depository agreement helps the city and bank understand and comply with the requirements of any banking arrangement.

- E. The city needs to ensure an individual with adequate knowledge and skills prepares and/or oversees the preparation of the city's financial statements and related notes. The financial statements are the responsibility of city's management.

As part of an adequate internal control structure, the city needs an individual who has the appropriate knowledge and skill to prepare and/or oversee the preparation of the city's financial statements and related notes in accordance with accounting principles generally accepted in the United States of America. Although the city clerk appears to have the knowledge and skills to maintain the general ledger, it is unclear that she is familiar with the accounting principles needed to prepare the financial statements. As a result, there is a risk that material misstatements and omitted note disclosures in the financial statements may not be prevented and may go undetected.

The city's independent auditors also reported this weakness in their report on internal control and compliance for the year ended June 30, 2007.

WE RECOMMEND the Board of Aldermen:

- A. Segregate the duties of the city clerk's office to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent reviews of the work performed and investigation into unusual items and variances is necessary.
- B.1. Ensure a complete financial accounting system is established, with specific activities accounted for in separate funds, as appropriate. Additionally, the city should determine and establish the proper balance of the separate funds and maintain the balances in the future.
 - 2. Ensure employee wages are properly allocated to the various funds and are supported by adequate documentation.
 - 3. Review the city's costs of administering the trash pick-up service and document the amount of administration costs associated with the service.
 - 4. Establish a separate fund and/or accounting for the law enforcement training fees and ensure these fees are used in accordance with state law.
- C. Consider consolidating the city's bank accounts and certificates of deposit to the extent possible.
- D. Seek competitive bids for the city's banking services on a periodic basis, and enter into a written agreement with the depository bank.
- E. Ensure an individual who has the appropriate knowledge and skill prepares and/or oversees the preparation of the city's financial statements and related notes.

AUDITEE'S RESPONSE

- A. *The Board of Aldermen agrees with the State Auditor. We are working on implementing this recommendation.*
- B.1. *The Board of Aldermen agrees with the State Auditor. We plan to implement this recommendation but need to evaluate the best way to do this.*
 - 2. *The Board of Aldermen agrees with the State Auditor. We have begun to track some employees' time by activities.*
 - 3. *The Board of Aldermen agrees with the State Auditor. We will document a reason to justify our fee.*
 - 4. *The Board of Aldermen agrees with the State Auditor. We have started a separate accounting for LET fees, and will work on determining a balance of these fees.*
- C. *The Board of Aldermen disagrees with the State Auditor to consolidate bank accounts and certificates of deposit because we are satisfied with the current set-up.*
- D. *The Board of Aldermen disagrees with the State Auditor to seek competitive bids because we wish to remain with the hometown bank; but, we will consider investigating rates at other local banks.*
- E. *The Board of Aldermen disagrees with the State Auditor because we are happy with how the current financial statements are prepared.*

2. City Collector Controls, Records, and Procedures
--

The City Collector needs to improve his controls, records, and procedures. There is no independent review of the collector's activities; an account book is not maintained; the board does not approve all additions/deletions to the tax records; the method of payment is not always recorded on the city's copy of tax statements; and reports regarding tax collections and delinquent tax lists are not prepared.

The City Collector collects and deposits most of the city's revenues including property taxes, utility payments, and city licenses. The receipt and deposit records are given to the City Clerk for entry in the city's financial records. During the year ended June 30, 2007, the City Collector collected property taxes and utility payments totaling over \$27,000 and \$216,000, respectively.

- A. The duties performed by the City Collector are not adequately segregated, and there is no independent review of the City Collector's controls, records, and procedures. The City Collector is responsible for performing the following functions:

- Prepares tax bills
- Collects payments
- Records payments
- Makes deposits
- Maintains tax records

To safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurances that all transactions are accounted for properly, and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties. If this is not feasible, the board should, at a minimum, designate someone independent of the collection process to perform and document periodic reviews of the procedures and records.

The city's independent auditors also reported this weakness in their report on internal control and compliance for the year ended June 30, 2007.

- B. The City Clerk does not perform an independent verification of the tax book information or totals to ensure they are correct, or charge the City Collector with the amount to be collected. The tax books and tax statements are prepared by the county, and the City Collector manually adds the amount due for city stickers to the tax statements and mails them.

Section 94.290, RSMo, requires the City Clerk to charge the City Collector with the amount to be collected. Verification of tax book information and totals is necessary to ensure the amount charged to the City Collector is complete and accurate and to provide some independent review and control over city tax collections.

- C. The City Collector does not maintain an account book to record property tax charges, additions/abatelements, collections, and remaining delinquent taxes. Tax records maintained by the City Collector include the tax books and tax statements. However, the information maintained does not summarize the total taxes charged, added/abated, or collected and delinquent taxes.

A properly maintained account book, including (by type) the property taxes charged to the city collector at the beginning of the year, collections each month, applicable adjustments, and balances uncollected can be useful in preparing the annual report required by state law.

- D. The City Collector posts additions and abatelements to the tax books without review and approval by the board. To ensure all additions and abatelements are proper, they should be approved by the board, charged to the City Collector, and reflected in the annual report to the board.

- E. A copy of the tax statement serves as the city's record of receipt; however, the method of payment (cash, check, etc.) is not generally recorded on the copy retained by the City Collector. To ensure proper handling and safeguarding of city monies, the method of payment should be indicated on the copy of the paid tax statement and the composition of receipts should be reconciled to the bank deposits.
- F. The City Collector does not prepare appropriate reports for the board as required by state law.
 - 1. A detailed annual report is not prepared. Section 79.310, RSMo, requires the city collector to make a detailed annual report to the board, stating the monies collected during the year, the amounts uncollected, and the names of the persons from which the amounts are uncollected.

A detailed annual report which complies with state law and is classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the city collector at the beginning of the tax year, monthly collections, delinquent credits, abatements and additions, and protested amounts. Without such a report, examined by the board, any errors or irregularities that might occur are likely to go undetected.
 - 2. An annual list of delinquent taxes is not prepared. Section 94.320, RSMo, provides the board shall require the city collector, at the first meeting of the board in April each year, to prepare lists of delinquent taxes. This section also requires the board to examine and approve the lists and charge the city collector with the taxes due.
 - 3. The collector's monthly report to the board does not breakdown the tax collections by current or delinquent. Section 94.330, RSMo, requires the city collector to report to the board at the regular meeting each month all taxes collected on real and personal delinquent lists. Additionally, this section provides the board "may declare worthless any and all personal delinquent taxes they deem uncollectible."

WE RECOMMEND the Board of Aldermen:

- A. Designate someone independent to perform and document periodic reviews of the City Collector's records.
- B. Require the City Clerk to verify the accuracy of the tax books and statements. In addition, the City Clerk should charge the City Collector with the amount of taxes to be collected.

- C. Require the City Collector to maintain an account book.
- D. Review and approve all additions and abatements made to the tax book.
- E. Require the City Collector to record the method of payment on the tax statements and reconcile the composition of receipts to bank deposits.
- F.1. Require the City Collector to prepare a detailed annual report for presentation to the board.
- 2. Require the City Collector to prepare an annual list of delinquent taxes for approval by the board. All valid delinquent taxes which the board does not choose to abate or write-off should be charged back to the City Collector for collection in the ensuing year.
- 3. Require the City Collector to include the breakdown of tax collections by current and delinquent on his monthly report to the board.

AUDITEE'S RESPONSE

- A. *The Board of Aldermen agrees with the State Auditor. We plan to implement this recommendation; but need to evaluate the best way to do this.*
- B. *The Board of Aldermen agrees with the State Auditor. We plan to implement this recommendation starting with the 2008 taxes.*
- C. *The Board of Aldermen agrees with the State Auditor. We will work on this recommendation.*
- D&E. *The Board of Aldermen agrees with the State Auditor. We plan to implement these recommendations.*
- F. *The Board of Aldermen agrees with the State Auditor. We will require the City Collector to prepare these reports.*

3. Minutes, Meetings, and Ordinances

The city needs to improve its policies and procedures related to board meetings, and establish ordinances required by state law.

- A. The board minutes are prepared and signed by the City Clerk; however, they are not signed by the Mayor. The minutes should be signed by the Mayor upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

- B. The city does not post meeting notices or a tentative meeting agenda. Notices of meetings are printed on the back of the monthly utility bills. Section 610.020, RSMo, requires that a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The city should ensure that copies of agendas and meeting notices are retained to document compliance with state law.
- C. Minutes are not maintained of closed board meetings. Also, open meeting minutes did not always document the related vote for closing the meeting or cite the specific section allowing closure.

Section 610.021, RSMO, allows the board to close meetings to the extent the meetings relate to specified subjects, including litigation, real estate transactions, and personnel issues, and Section 610.020, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason(s) for the closed meeting including reference to a specific section of the chapter shall be voted on at an open session.

- D. The city has not adopted ordinances to address all issues required by state law, including current compensation of elected officials and other city officials and employees, the term of office for the City Clerk, and property tax rates.

While the city has adopted general ordinances for appointed officials that state "compensation shall be set by ordinance," the ordinances do not address the specific compensation to be paid. The last ordinance approved by the board for compensation for full and part-time employees was in 2000 and this ordinance does not reflect current wages for the city employees.

Sections 79.270 through 79.320, RSMo, require the duties, powers, compensation, and terms of office of the city officials and employees be set by ordinance. Sections 94.190.3 and 94.210, RSMo, require the property tax rate be set annually by ordinance.

WE RECOMMEND the Board of Aldermen:

- A. Ensure board minutes are properly signed by the Mayor or some other official to attest to their accuracy.
- B. Ensure meeting notices and tentative agendas of all board meetings are posted and retained.
- C. Ensure minutes are prepared for all closed meetings. The open meeting minutes should document the vote and state the reasons for going into closed session including citing the specific statute allowing closure.

- D. Ensure new ordinances are passed where appropriate and required and the board operates in accordance with established ordinances.

AUDITEE'S RESPONSE

- A&B. The Board of Aldermen agrees with the State Auditor. We have already implemented these recommendations.*
- C. The Board of Aldermen agrees with the State Auditor. We will implement this recommendation.*
- D. The Board of Aldermen agrees with the State Auditor. We have already passed ordinances related to city employees and elected officials, and will pass an ordinance for the 2008 property tax rate.*

4. Budgeting, Financial Reporting, and Planning
--

Budgets are not prepared in accordance with statutory provisions, the official budgets are not always updated to reflect budget amendments or retained, and monthly budget to actual reports are not retained. Also, semi-annual financial statements are not published. Finally, the city does not prepare an annual maintenance plan for city streets.

- A. The city does not prepare annual budgets in accordance with statutory provisions. The budgets do not include a budget message and general budget summary or information regarding the city's debt.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year and Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendments of the annual budget.

A complete and well-planned budget, in addition to meeting statutory provisions, can serve as a useful management tool by establishing specific costs and revenue expectation for the city's operations. It will also assist in setting tax levies and informing the public about city operations and current finances.

- B. The official budget reflecting approved budget amendments is not always updated and/or retained.

The board periodically approves budget amendments which increase or decrease a specific revenue or expenditure category or add a category. Although the budget amendments are approved and documented in the minutes, the official budget is not always updated to reflect the amendments or retained. As a result, the current approved budgeted revenues and expenditures cannot always be readily determined.

A complete and accurate budget is needed for the city's management to effectively monitor the city's operations. The city's official budget should reflect all currently approved budget amendments and should be retained.

- C. Although the City Clerk indicated she periodically prepared budget to actual schedules for the board to review, these schedules are not retained and there is no indication of the board's review in the minutes.

A periodic comparison of budgeted versus actual revenues and expenditures is necessary to properly monitor the financial activity of city funds. Monthly budget to actual reports should be prepared, reviewed by the board, and retained.

- D. The city did not publish semi-annual financial statements as required by state law. Instead the city published annual financial statements using information from its audited financial report. In addition, the published statements did not include the indebtedness of the city.

Section 79.160, RSMo, requires the city to prepare and publish semi-annual financial statements. The financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six-month period, and are to be published within one month of the end of the period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

The city's independent auditors also reported this weakness in their report on internal control and compliance for the year ended June 30, 2007.

- E. The city does not prepare an annual maintenance plan for city streets. During the year ended June 30, 2007, the city spent approximately \$36,193 for street maintenance.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Ensure the official budget is updated to include all approved budget amendments and retained.
- C. Ensure monthly budget to actual reports are prepared, reviewed by the board, and retained.
- D. Publish semi-annual financial statements as required by state law.
- E. Prepare an annual street maintenance plan as part of the budget.

AUDITEE'S RESPONSE

- A. *The Board of Aldermen agrees with the State Auditor to prepare budgets in accordance with statutory requirements. We plan to improve our budgets and include all items required by state law.*
- B-D. *The Board of Aldermen agrees with the State Auditor. We plan to implement these recommendations.*
- E. *The Board of Aldermen agrees with the State Auditor. We do this informally; however, we will now start documenting our plan.*

5. Water and Sewer Services

Various utility reports are not reconciled, adequate records of water deposits are not maintained, and the delinquent payment penalty is not applied in accordance with the city's policy. Also, the debt service account is over-funded.

- A. Although monthly reports comparing amounts billed, collected, and delinquencies are generated from the computerized utility system, the reports are not reconciled to each other, to bank deposits, or to the City Collector's receipt record. Thus, discrepancies are not investigated and resolved. In addition, although the City Clerk indicated she reconciled the batch receipt reports to deposits, the reconciliations are not documented.

For June 2007 activity, 6 of the 16 deposits did not agree to the batch reports, and the total receipts per the batch reports were less than the end-of-month (EOM) payments report. Additionally, there were 12 payments which were deposited and recorded on the computer but were not recorded on the City Collector's receipt record. It appears two of the deposit discrepancies may be due to re-connection

fees not being recorded on the computer, while the other four were due to the City Clerk forgiving penalties.

Monthly accounts receivable listings should be reconciled to beginning accounts receivable, plus billings, less collections and other adjustments. Also, monthly billing/collection reports should be reconciled to each other, to the City Collector's receipt records and to bank activity. Any discrepancies should be investigated and resolved, in a timely manner. Additionally, monthly reports of adjustments, such as forgiving penalties, should be presented to the board for approval.

- B. Controls over water deposits need to be improved. Although the water deposits are recorded on the computerized utility system, a summary account (beginning balance, plus deposits, less refunds, and ending balance) is not maintained. City residents are required to pay a refundable deposit for water service. The water deposits represent a liability to the city.

In March 2008, the City Clerk reviewed the deposits to determine if the deposits were held on closed accounts, were refunded, or transferred to an open account for the same customer. Her records show water deposits totaling \$17,770. She also identified an additional \$3,000 recorded twice for the same customers and \$1,000 which may have been refunded. The computerized utility records showed a deposit total of \$21,770.

To ensure the city is properly holding water deposits from customers, a summary account should be maintained and periodically reconciled to the computerized records. Without these reconciliations, the possibility of undetected errors increases.

- C. It appears the city is not properly applying the delinquent payment penalty in compliance with its water regulations. The city's ordinance for water service rates provides that a ten percent penalty may be charged and added to the water bill for non-payment, 20 days after the bill is due.

The city considers the due date as the end of the month the bills are mailed. Thus, the delinquent penalty should be applied if the payment is not received by the 20th of the next month. However, the penalty is automatically applied to billing statements by the computerized utility system when the billing statements are prepared and mailed the first week of the next month.

The board should evaluate their policies and procedures regarding this situation, and ensure the delinquent penalty is applied in accordance with its water rate ordinance.

- D. The city is over-funding the debt service account for its Combined Waterworks/Sewerage System revenue bonds. During the year ended June 30,

2007, the month-end balance of the debt service account was over \$80,000 for nine months and over \$50,000 for the other three months.

According to the bond covenant, the debt service account is to be funded up to the total needed for one year's principal and interest. From 2008 to 2012, the principal and interest payments total less than \$39,000 each year, with the last principal and interest payment in 2013 totaling less than \$57,000.

The city could reduce its funding of the debt service account to only the amount needed to make the annual principal and interest payments and use the excess funds for water/sewer expenses.

WE RECOMMEND the Board of Aldermen:

- A. Ensure monthly accounts receivable listings are reconciled to beginning accounts receivable, plus billings, less collections and other adjustments, and the monthly utility billing/collection reports are reconciled to each other, to the City Collector's receipt records, and to bank deposits. Any discrepancies should be investigated and resolved in a timely manner. Monthly reports of adjustments should be presented to the board for approval.
- B. Ensure adequate records of water deposits are maintained, including deposits received, disbursed, and the balance, which should be reconciled to the computerized records on a periodic basis.
- C. Ensure the delinquent penalty is applied in accordance with the water rate ordinance.
- D. Reduce the funding of the debt service account to the amount needed to make the annual principal and interest payments.

AUDITEE'S RESPONSE

- A&B. The Board of Aldermen agrees with the State Auditor. We will implement these recommendations.*
- C. The Board of Aldermen agrees with the State Auditor. We have fixed the problem by amending the ordinance to agree with our actual practice.*
- D. The Board of Aldermen agrees with the State Auditor. We will reduce the funding of the debt service account.*

6.**Disbursements**

The city does not have formal written policies for bidding or written agreements for legal services. Documentation supporting credit card charges is not adequate and all disbursements are not reviewed and approved by the board.

- A. The city does not have formal written bidding and purchasing policies. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. According to the City Clerk, the city frequently obtains proposals or quotes in writing or over the telephone; however, these proposals/quotes are not always retained.

During the period July 2006 to December 2007, bids were either not solicited and/or bid documentation was not retained for the following: \$62,575 for paving, \$2,195 for fencing, \$3,683 for a salt and sand spreader, \$56,823 for water and sewer repairs, and at least \$2,430 for rock. Also, the City Clerk stated the city's insurance has not been bid for many years. The city spent over \$10,000 for insurance during the year ended June 30, 2007. Additionally, a request for proposals was not prepared for the city's legal services, which totaled over \$3,200 during the year ended June 30, 2007.

Formal bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. In addition, Section 376.696, RSMo, requires competitive bidding for insurance at least every six years. Competitive bidding/proposals also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons why the bid was selected.

The city's independent auditors also reported this weakness in their report on internal control and compliance for the year ended June 30, 2007.

- B. The city did not have formal written agreements with the individuals providing legal services mentioned above, the city/prosecuting attorney and municipal judge or with the individual hired to replace the city's fire hydrants.

The city should obtain formal written agreements, as needed, which specify the services to be rendered and the manner and amount of compensation to be paid. Furthermore, Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

- C. Supporting documentation for the city's charge cards is not always adequate. The city uses charge cards to buy office supplies, equipment and gasoline.

Generally, the actual charge receipt is not submitted to support the charges. The city pays from the credit card billing statement. The actual charge receipt needs to be submitted to support charges in order to evaluate whether the expenses are for official city business.

- D. All disbursements are not reviewed and approved by the board. Bills paid electronically, such as for electricity and cellular phones, rather than by check are not given to the board to review and approve. In addition, 5 of 14 invoices tested were not initialed by board members. The city's practice is for two board members to initial invoices to indicate the board's review and approval.

To adequately document the board's review and approval of all disbursements, a detailed list of disbursements should be prepared, signed/initialed by the aldermen to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to properly review all invoices and supporting documentation, and to document authorizations, increases the possibility of inappropriate disbursements occurring.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding and purchasing policies, with provisions for documentation of the justification for selecting and rejecting bids/proposals.
- B. Obtain formal written agreements for services which specify the services to be rendered and the manner and amount of compensation to be paid, as applicable.
- C. Require credit card charges be supported by the actual charge receipt.
- D. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

AUDITEE'S RESPONSE

A&C. The Board of Aldermen agrees with the State Auditor. We are working on implementing these recommendations.

B. The Board of Aldermen agrees with the State Auditor. We have already obtained a written agreement with the city attorney, and plan to obtain written agreements for future professional services.

D. The Board of Aldermen agrees with the State Auditor. We have already implemented this recommendation.

The city should require time sheets be prepared by all employees and approved by the applicable supervisor. The city also needs to maintain adequate leave records, and ensure its compensatory time policy is in compliance with the Fair Labor Standards Act (FLSA).

- A. Time sheets are prepared by some employees; however, these time sheets are not signed by the employee and do not indicate review and approval by the supervisor. Also, part-time employees including the city clerk, police chief, court clerk, animal control officer, and animal control clerk do not prepare time sheets. In addition, the city has not adequately documented the number of hours these part-time employees are expected to work.

All employees should prepare time sheets that reflect actual time worked. Properly completed time sheets showing actual hours worked each day by function or activity and time taken off, along with the employee's and supervisor's signatures are necessary to ensure that payroll expenditures are proper. Time sheets also provide the city with a method to monitor hours worked and ensure the related compensation is reasonable. The city needs to establish the number of hours part-time employees are expected to work.

- B. The city does not maintain leave records showing amounts earned, taken, and balances. Full-time employees (currently one individual) earn from one to two weeks of vacation and five days of sick leave per year.

Accurate and properly maintained leave records would provide assurance that leave policies are being followed.

- C. The city's compensatory time policy is not adequate, and records of compensatory time earned, taken, and any accumulated balances are not maintained. The city's compensatory policy provides that any time which exceeds 40 hours per week may be taken as compensatory time, and the compensatory time must be used within 30 days or forfeited.

City employees other than elected officials may fall under the guidelines of the FLSA. The FLSA provides that employees not exempt from the act receive pay or compensatory time at the rate of time and one-half, and that employees can accumulate a maximum of 240 hours of compensatory time; overtime hours exceeding this threshold must be paid in wages on the next pay date.

In December 2006, the city paid the one full-time employee \$329 for 47 hours of compensatory time, at straight time based on his records. Also, from a review of his time sheets, it appears that he was counting all hours worked outside his regular scheduled work hours as overtime rather than only those hours worked over 40 for the week. Additionally, this payment did not go through the payroll

system. Thus, the appropriate payroll taxes were not withheld and paid or reported on his W-2 form.

The city needs to ensure its compensatory/overtime policy is in compliance with the FLSA, and compensatory leave records showing leave earned, taken, and any accumulated balances should be maintained. Adequate compensatory records are necessary to ensure payments and balances are accurately calculated. The failure to properly compensate employees could open the city to claims for back pay and/or fines. Additionally, the city needs to contact the IRS and/or the Missouri Department of Revenue for guidance regarding the overtime payment.

WE RECOMMEND the Board of Aldermen:

- A. Require all employees to complete time records which reflect actual time worked and appropriate detail of work performed and leave taken. The records should be signed by the employee and approved by the supervisor. In addition, the board should document the number of hours a part-time employee is expected to work.
- B. Maintain records of vacation and sick leave that provide a complete record of the amount of leave earned, taken and any accumulated balances.
- C. Ensure its compensatory/overtime policy is in compliance with the FLSA. Adequate records of compensatory time earned, taken, and any accumulated balances should be maintained. The city should also contact the IRS and/or the Missouri Department of Revenue for guidance regarding the overtime payment.

AUDITEE'S RESPONSE

- A&B. The Board of Aldermen agrees with the State Auditor. We have already implemented these recommendations.*
- C. The Board of Aldermen agrees with the State Auditor. We have already revised the city's compensatory time policy, and will contact the IRS.*

8.

Capital Assets

The city needs to improve internal controls over its capital assets. The city does not maintain complete and detailed records for its capital assets, including land, buildings, equipment and furniture. In addition, property is not tagged for specific identification and an annual physical inventory of the property is not performed.

There are separate lists of property for city hall, collector's office, city clerk's home office, maintenance building, and police department, plus deeds for city owned real estate. However, these property lists did not always include all relevant information such as make, model, serial numbers, historical costs, or acquisition date. Some lists included

a line for office furniture and office equipment, but not the details. Also, a digital camera purchased for the police department was not included on the department's listing, nor was the office furniture and equipment for the water technician's home office included on a property list.

Property records for capital assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. In addition, the city needs to maintain the property records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Annually, the city should conduct physical inventories and compare to the detailed records.

WE RECOMMEND the Board of Aldermen maintain complete and detailed capital asset records that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. In addition, annual physical inventories should be performed and compared to the detailed records.

AUDITEE'S RESPONSE

The Board of Aldermen agrees with the State Auditor. We are working on implementing this recommendation.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF WELLINGTON
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Wellington is located in Lafayette County. The city was incorporated in 1891 and is currently a fourth-class city. The population of the city in 2000 was 784.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2007, are identified below. The Mayor was paid \$100 per month and board members were each paid \$40 per month.

Mayor and Board of Aldermen	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Charles Morgan, Mayor	July 2006 to June 2007	\$ 1,200
James Potter, Alderman (1)	July 2006 to June 2007	480
A. Kent Rogge	July 2006 to June 2007	480
Anthony Rukavina	April 2007 to June 2007	120
David Russell	July 2006 to March 2007	360
Richard Rukavina	July 2006 to June 2007	480

Other Officials	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Jerry Jennings, Collector*	July 2006 to June 2007	\$ 8,820
Mary Ann Campbell, City Clerk	July 2006 to June 2007	8,190
Steve Ryun, Police Chief	July 2006 to June 2007	14,545
Kelly Logan, Court Clerk(2)	July 2006 to June 2007	300
William Piedimonte, Municipal Judge (3)	July 2006 to June 2007	2,020
James Hall, City and Prosecuting Attorney (4)	July 2006 to June 2007	1,207

* Elected position

(1) Mr. Potter resigned in November 2007. Charlotte Uptegrove was appointed to replace him in January 2008.

(2) Ms. Logan was paid \$50 for each court session.

(3) Mr. Piedimonte was paid \$125 per hour as municipal judge.

- (4) Mr. Hall was paid \$170 for each court session as city prosecuting attorney, plus \$85 per hour for city attorney services.

In addition to the officials identified above, the city employed 1 full-time employee and 7 part-time employees on June 30, 2007.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

ASSESSED VALUATIONS	2007	2006
Real estate	\$ 4,526,814	3,929,882
Personal property	1,502,264	1,566,897
Railroad and utility	306,070	298,104
Total	<u>\$ 6,335,148</u>	<u>5,794,883</u>

TAX RATE PER \$100 ASSESSED VALUATION

	2007	2006
General	\$.4560	.4857

During the fiscal year ended June 30, 2007, the city made principal and interest payments totaling \$33,538 on its Combined Waterworks and Sewerage System Revenue Bonds. The final principal and interest payments are due in 2013. The current principal balance as of June 30, 2007 is \$195,000.



Susan Montee, CPA
Missouri State Auditor

TRANSPORTATION

Information Systems Security Controls



August 2008

Report No. 2008-49

auditor.mo.gov



Missing Security Controls Leaves Technology Resources Susceptible to Threats and Vulnerabilities

This audit reviewed the management and control of information technology resources at the Missouri Department of Transportation (MoDOT). Auditors found MoDOT management has not taken some necessary steps to fully maintain effective controls to protect the confidentiality, integrity and availability of data and the information technology resources supporting the mission and operations of the department.

Risk assessment program is not implemented	MoDOT management has not established or documented risk management and assessment policies and procedures. A risk assessment helps identify potential threats and vulnerabilities or weaknesses that could be exploited and to ensure appropriate controls are implemented to mitigate these vulnerabilities. (See page 5)
Disaster recovery plan needed	MoDOT personnel have documented, approved and implemented a business continuity plan. However, Information Systems Division personnel have not established a disaster recovery plan to ensure the availability of technology resources. Without an operational disaster recovery plan, management does not have assurance that computer operations could be promptly restored in the event of a significant disruption to normal system operations. (See page 5)
Security management program is not fully implemented	A security management program provides a framework for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of an agency's security controls. MoDOT management has developed and documented policies and procedures for some security controls. However, management has not completed the process of establishing and documenting policies and procedures for other key security controls. Accepted standards state policies are necessary to set organizational strategic directions for security and assign resources for the implementation of security. (See page 6)

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Abbreviations

GAO	Government Accountability Office
ISD	Information Systems Division
MoDOT	Missouri Department of Transportation
SAO	State Auditor's Office



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Missouri Highways and Transportation Commission
and
Pete K. Rahn, Director
Department of Transportation
Jefferson City, MO

The Missouri Department of Transportation (MoDOT) is responsible for maintaining the state's transportation systems, including the highway system. The Information Systems Division is responsible for providing technical assistance to support MoDOT technology resources. Our audit objective included determining whether MoDOT management established adequate policies and procedures to implement effective security controls to ensure the confidentiality, integrity, and availability of information maintained in MoDOT information systems.

MoDOT management has not taken some necessary steps to fully implement effective internal controls to prevent the unauthorized use and disclosure of data and to adequately protect information technology resources. Staff had not performed a formal risk assessment to identify potential threats and vulnerabilities to the department's data, systems and resources and the likelihood of occurrence. Management had implemented a business continuity plan but had not established a disaster recovery plan necessary to sustain and recover critical technology services following an emergency. Also, policies had not been developed for some key security controls, while for other controls, procedures had been established but the corresponding policies had not been documented.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Luetkemeyer. Key contributors to this report included Jeff Thelen, Lori Melton, and Richard Mosh.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Missouri Department of Transportation (MoDOT) is responsible for developing, building, and maintaining the roads and bridges of the state highway system; administering other transportation programs, such as aviation, rail, public transit, waterways and bicycle/pedestrian; managing motor carrier operations; and providing other services. At February 2008, MoDOT had approximately 7,200 employees.¹ The MoDOT Information Systems Division (ISD) supports the department's mission through technological solutions and electronic communications. Information, some of which is sensitive, maintained in MoDOT systems includes:

- Commercial vehicle permits
- Personnel information, including social security numbers and benefit information
- Department expenditure records
- Fleet vehicle information
- Construction projects

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system² to protect the confidentiality, integrity, and availability of the system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction and availability ensures timely and reliable access to and use of information.

Scope and Methodology

To determine whether MoDOT management established internal control policies and procedures and implemented security controls, we conducted interviews with appropriate officials and staff; requested and reviewed available policies, procedures, and other applicable information; and performed testing.

We obtained data files from ISD of the various user accounts having access to MoDOT's networks as of April 2008. To ensure completeness of the data, we grouped the accounts by division/district code, compared the listing to the MoDOT organization chart, reviewed the accounts for reasonableness and scanned the names of the employees. We reviewed the last login date of

¹ A MoDOT official said 6,350 of these employees are salaried and the remainder work hourly as needed for the department (for example, in snow removal).

² Accepted standards define an information system as a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information.

the user accounts to identify inactive accounts. We provided an ISD official with a list of inactive accounts identified.

We obtained the employment records for MoDOT employees for fiscal years 2001 through 2008 from the statewide accounting system for human resources. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered immaterial. We matched this data to the user accounts to determine if any terminated employees had active user accounts. We provided an ISD official with a list of all user accounts we identified that were associated with terminated employees.

We also evaluated major department information systems to identify a single system for a subsequent audit.

We based our work on accepted state, federal, national and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture³
- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)
- IT Governance Institute Control Objectives for Information and related Technology (COBIT)

³ The Enterprise Architecture includes standards, policies and guidelines established by the Office of Administration, Information Technology Services Division. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains are not fully developed, but define the principles which are needed to help ensure the appropriate level of protection for the state's information and technology assets.

Missing Security Controls Leaves Technology Resources Susceptible to Threats and Vulnerabilities

MoDOT information technology resources are susceptible to threats and vulnerabilities including unauthorized use and disclosure of data and insufficient protection of technology assets. This situation has occurred because MoDOT management had not (1) performed a formal risk assessment to identify possible threats and the likelihood of occurrence, (2) developed and implemented a disaster recovery plan to ensure the availability of technology resources, and (3) fully implemented a security management program. In addition, key policies and procedures for internal controls, including security, had not been documented or had not been developed. Collectively, these weaknesses impair MoDOT's ability to ensure information technology resources are properly protected and the risk of threats and vulnerabilities are reduced to an acceptable level.

Risk Assessment Program Is Not Implemented

MoDOT management has not established or documented risk management and assessment policies and procedures. An ISD official said a business impact analysis is planned for fiscal year 2009. This analysis is one step of a risk assessment program, according to accepted standards. The official said department staff did not have the expertise to perform a full risk assessment.

Identifying and assessing information security risks are essential steps in determining what controls are required and what level of resources should be expended on controls. Moreover, by increasing awareness of risks, these assessments generate support for the adopted policies and controls, which helps ensure policies and controls operate as intended, according to GAO. A risk assessment helps identify potential threats and vulnerabilities or weaknesses that could be exploited and to ensure appropriate controls are implemented to mitigate these vulnerabilities.

Disaster Recovery Plan Needed

MoDOT personnel have documented, approved and implemented a business continuity plan. However, ISD personnel have not established a disaster recovery plan to ensure the availability of technology resources. An ISD official said disaster recovery planning is now a priority of the division and the department will receive \$2 million for recovery efforts in fiscal year 2009. The official said completing the disaster recovery plan will be a multi-stage process with the first stage being completed by the end of June 2009. Without an operational disaster recovery plan, management does not have assurance that computer operations could be promptly restored in the event of a significant disruption to normal system operations.

Contingency planning is designed to mitigate the risk of system and service unavailability by focusing effective and efficient recovery solutions. Ultimately, an organization would use a suite of plans to properly prepare response, recovery, and continuity activities for disruptions affecting the

organization's information systems, business processes, and facilities, according to accepted standards.

Security Management Program Is Not Fully Implemented

A security management program provides a framework for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of an agency's security controls. A security management program is the foundation of an agency's security control structure and a reflection of management's commitment to addressing security risks. According to GAO, implementing a security program is essential to ensuring controls over information and information systems work effectively on a continuing basis.

MoDOT and ISD management have developed and documented policies for some security controls. However, officials have not completed the process of establishing and documenting policies and procedures for other key security controls. Accepted standards state policies are necessary to set organizational strategic directions for security and assign resources for the implementation of security.

MoDOT needs to develop policies for critical security controls

MoDOT management had not established or documented policies or procedures for the following critical security controls:

- User account review
- Security activity logging and monitoring
- Additional security settings
- Security awareness program
- Periodic background reinvestigation

Management needs to require reviews of user accounts

MoDOT and ISD management do not have a process in place to perform reviews of user access to data and other information resources to determine whether the access rights remain commensurate with job responsibilities. According to accepted standards, there should be regular reviews of all user accounts and related privileges. Requiring a review of all user accounts ensures the right type and level of access has been provided. Otherwise, user accounts and accesses can be granted to or maintained for users who should not have access, according to accepted standards. ISD officials said some divisions or application owners review access rights for their users, but this is not a universal policy. During our review of network user accounts, we identified:

- 263 network accounts for former employees
- 630 network accounts that had never been accessed
- 737 network accounts that had not been accessed in over 90 days, including 483 that had not been accessed in over a year

Policy needed to review system security logs

The state's enterprise architecture and accepted standards state agencies should have procedures to disable user access when a user leaves employment and to identify inactive or idle accounts. MoDOT and ISD policies require access to information technology resources be deactivated when an authorized user terminates employment. The policy does not address inactive accounts; however, an ISD staff person stated inactive user accounts are informally reviewed on a periodic basis. Unauthorized access to MoDOT's information resources through an account for a terminated employee or an inactive account may compromise the confidentiality and integrity of data maintained by the department.

ISD management has not taken sufficient steps to ensure system security controls have functioned properly. Policies and procedures for logging appropriate security-related events and monitoring specific access are necessary when developing effective security programs. Accepted standards state a logging and monitoring function enables the early detection of unusual or abnormal security activity⁴ that may need to be addressed to ensure the approved security level is maintained.

MoDOT's network has system security logging capabilities to identify security events. An ISD official said the department has procedures in place to review external access to the department's network, but internal network security activity is not monitored. Policies and procedures for monitoring, reviewing and investigating the internal access logs have not been established. An ISD staff person said logs are only reviewed when a violation is brought to management's attention through other means. A survey performed in 2008⁵ suggested development of ways to recognize potential threats based on the results of auditing, monitoring and tracking. This survey also emphasized the usefulness of regularly reviewing application, system and network logs for events that are outside of the norm.

Determining what, when, and by whom specific actions have been taken on a system is crucial to establishing individual accountability, investigating security violations, and monitoring compliance with security policies, according to GAO.

⁴ Security activity includes users attempting to access data they are not authorized to access, performing a task they are not authorized to perform, or accessing data they are authorized to access that is of a sensitive nature.

⁵ "Insider Threat Study: Illicit Cyber Activity in the Government Sector", *United States Secret Service, National Threat Assessment Center and CERT® Program, Software Engineering Institute at Carnegie Mellon University*, <http://www.cert.org/archive/pdf/insiderthreat_gov2008.pdf>, accessed May 22, 2008.

Additional security settings could limit vulnerability	MoDOT ISD policy allows a maximum time limit for locking inactive workstations that exceeds state guidance and does not limit the number of concurrent sessions for a single user. An ISD official said division staff increased the maximum time limit in the policy as a result of user complaints. The 60 minute limit exceeds state enterprise architecture guidance of a maximum of 30 minutes of inactivity. An ISD official said he was not aware concurrent sessions could be limited. According to accepted standards, the number of concurrent sessions for a user should be limited. Without these additional security settings, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.
Employees do not receive ongoing security awareness training	<p>Training is an essential component of a security program. Computer intrusions and security breakdowns often occur because computer users fail to take appropriate security measures. For this reason, it is vital employees using computer resources be aware of the importance and sensitivity of information they handle, as well as business and legal reasons for maintaining its confidentiality, integrity, and availability, according to GAO.</p> <p>An ISD official said personnel had not been trained on an ongoing basis regarding computer security and their roles in ensuring appropriate use of department resources. New employees receive informal security training as part of orientation, but employees do not receive any other security awareness training. According to accepted standards, employees play a crucial role in helping ensure the security of computer systems and information technology resources. Accepted standards also state ongoing training programs are necessary to maintain employees' security awareness to the level required to perform effectively.</p>
Backgrounds of current employees not reviewed periodically	MoDOT does not perform periodic background reinvestigations on current employees who are working in sensitive positions. According to accepted standards, background checks should be performed for new employees and periodically for current employees, dependent on the sensitivity and/or criticality of the job function. A MoDOT official said MoDOT has established procedures to verify the background of all new employees and those that transfer to a new position in MODOT to identify any background concerns. In addition, contractors' backgrounds are reviewed when the contractor starts working with MoDOT and annually thereafter, according to an ISD official. However, both officials said there is no periodic reinvestigation of current employees.

Documented policies and procedures are needed for established security measures	<p>MoDOT management established, but had not documented, policies and procedures for the following security controls:</p> <ul style="list-style-type: none"> • Data ownership • Backup procedures • Segregation of duties • Containment strategies • Review of policies <p>An ISD official said ISD has not documented these procedures because division efforts have been focused on delivery of projects and services. Undocumented policies increase the risk of the procedures being applied incorrectly and inconsistently.</p>
Data and information owners' responsibilities need to be formally documented	<p>MoDOT management has appointed information owners who make decisions about system access rights and application changes. However, policies have not been documented regarding the assignment and responsibilities of the owners. Accepted standards state the responsibilities and accountability of owners of computer systems should be explicit. Without having documented policies and procedures establishing data and information ownership responsibilities, there is an increased risk data and information assets will not be properly protected against unauthorized access.</p>
Backup procedures are not documented	<p>ISD management ensures MoDOT data, applications and systems are backed up on a regular basis. However, these backup procedures have not been documented. Accepted standards require management define, implement, and document procedures for backup and restoration of systems, applications, data and documentation in line with business requirements and the continuity plan.</p>
Policies needed to ensure segregation of duties	<p>Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes implemented, or computer resources damaged or destroyed, according to GAO. Although duties have been informally segregated, there is not a documented policy requiring an identification of incompatible duties or a policy requiring segregation of duties among information technology staff, according to an ISD official. Accepted standards state policies should be established to require a division of roles and responsibilities that should exclude the possibility for a single individual to subvert a critical process.</p>
Strategies need to be documented for containing a security incident	<p>Criteria and strategies for containing a security incident should be clearly documented to facilitate quick and effective decision-making, according to accepted standards. ISD officials said ISD has informally identified</p>

	containment strategies, but has not documented and formally approved these strategies. According to accepted standards, when a computer security incident has been detected and analyzed, it is important to contain it before the spread of the incident overwhelms resources or the damage increases. Without documented strategies, procedures for containing the incident may be difficult to determine.
MoDOT needs policies to review key standards and policies	The relevance of policies to support information technology strategy should be confirmed and approved regularly, according to accepted standards. According to ISD officials, an informal procedure is in place and a team has been established to review documented policies and revise as necessary. However, the officials said these procedures have not been documented. Without documented and approved policies and procedures to guide the review process, it is more difficult for management to be assured system, technological, or organizational environments are adequately addressed.
MoDOT needs to establish and document a configuration management process	<p>ISD management has not implemented or documented a policy to ensure all configuration management⁶ control measures are in place. ISD has documented a change management policy, but this policy does not fulfill guidelines for configuration management. According to accepted standards, an effective configuration management process includes configuration identification, configuration change control, configuration inventories, configuration monitoring, and patch management.⁷ We found ISD management had not implemented or documented procedures for the following areas:</p> <ul style="list-style-type: none">• Configuration identification• Configuration monitoring• Patch management
Configuration baselines not documented for all computer assets	Management should ensure a current baseline of computer system configurations is documented, according to accepted standards. ISD staff has not established a checklist of how to configure or a baseline configuration of the current settings for various computer assets. ⁸ Without

⁶ Configuration management involves the identification and management of security features for all hardware and software components of an information system at a given point and systematically controls changes to that configuration during the system's life cycle, according to accepted standards.

⁷ Patch management is the process of applying software patches to correct flaws. A patch is a piece of software code that is inserted into a program to temporarily fix a defect. Patches are developed and released by software vendors when vulnerabilities are discovered.

⁸ We discussed the specific assets with ISD management.

an inventory of all computer assets and their configurations, management cannot adequately analyze and test controls.

Configuration settings need review

Current configuration information should be routinely monitored for accuracy and to ensure that the technology resource is functioning as intended, according to accepted standards. The division's change management policy requires approval for all changes before they are put in place. However, ISD staff said configuration settings are reviewed only by the individuals that have access to make setting changes and not an independent party. According to accepted standards, there should be a division of roles and responsibilities that reduces the possibility for a single individual to subvert a critical process. A configuration management system that enforces strict monitoring, follow-through and separation of duties can help identify implementation errors or unauthorized changes.

Patch management policies need to be documented

Accepted standards recommend all organizations have a systematic, accountable, and documented process for managing exposure to vulnerabilities through the timely deployment of patches. According to the state's enterprise architecture, patch management should include duties such as monitoring sources for vulnerabilities and threats; prioritizing and testing remediation; deploying patches; and verifying vulnerabilities have been successfully remediated. ISD staff manage patches, but management has not documented the policies and procedures. Without having a systematic, accountable, and documented patch management process for limiting exposure to vulnerabilities, there is an increased risk that software vulnerabilities can be exploited.

Conclusions

MoDOT management has not taken some necessary steps to fully implement effective internal controls to prevent the unauthorized use and disclosure of data and to adequately protect information technology resources. MoDOT management does not have assurance appropriate controls are in place to reduce risks of threats and vulnerabilities to an acceptable level since a formal risk assessment has not been performed. The recovery of services, systems and technology resources may be delayed following a disruption in operations or a disaster since MoDOT management had not established a disaster recovery plan. MoDOT's control environment is missing important security components because management has not fully implemented a security program. Important security controls have not been established or have been developed but lack documented policies and procedures to provide consistent guidance. Faced with the challenge of protecting systems and resources from continuing threats, vulnerabilities, and data breaches, MoDOT management should support establishing and documenting the controls necessary to ensure the

confidentiality, integrity, and availability of data and information collected and maintained by MoDOT.

Recommendations

We recommend the Director of the Department of Transportation:

- 2.1 Implement and document a risk management and assessment framework, which includes policies, standards, and procedures for performing periodic risk assessments so management can better protect the department's resources and its ability to perform the department's missions.
- 2.2 Document and approve a disaster recovery plan. The plan should then be tested and implemented to ensure computer operations could be promptly restored in the event of a disruption.
- 2.3 Close accounts assigned to former employees and review the need for the unused and inactive accounts.
- 2.4 Design, develop, and approve a security management program that provides a framework upon which department-wide security policies, standards, and procedures are formulated, implemented, and monitored. At a minimum, management should implement security controls and document policies and procedures by taking the following actions:
 - Establish and document policies to periodically review user access to data and other information resources to ensure access rights are commensurate with user's job duties and responsibilities. The reviews of user accounts should also include procedures to determine if users are current or terminated employees and have an active or inactive account.
 - Establish and document policies and procedures to periodically review security logs and potential violations.
 - Establish security settings consistent with state guidance and accepted standards which would include locking workstations after a maximum period of inactivity of 30 minutes and limiting the number of concurrent sessions for a single user.
 - Establish an ongoing security awareness training program to communicate department security policies to all employees on a periodic basis.
 - Identify employees' positions considered sensitive and perform periodic background screenings.
 - Document the responsibilities of data and information owners.
 - Document the procedures to backup department data, applications and systems.

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- Document policies and procedures to ensure adequate segregation of incompatible duties.
 - Document the strategies and procedures for containing a security incident.
 - Document a formal process to periodically review and re-approve key standards, directives, and policies and procedures.
 - Establish and document a configuration management process. This process should include an inventory for all computer assets and their corresponding configuration settings, a requirement that configuration settings be routinely monitored by appropriate personnel, and a patch management process.

Agency Comments

- 2.1 *MoDOT concurs with the recommendation to implement and document a risk management and assessment framework. MoDOT currently assesses risk daily by utilizing strong risk prevention tools and processes monitored by staff. MoDOT also responds to issues with stronger prevention techniques and incorporates vendor recommendations from specific assessments where appropriate. MoDOT has also previously participated in a formal risk assessment completed February 3, 2006, by Cyber Security and coordinated by the Office of Administration, Information Technology Services Division. This assessment was reviewed by the SAO. MoDOT will develop a policy and supporting standards and procedures that comprise a risk management and assessment framework by June 30, 2009.*
- 2.2 *MoDOT concurs with the recommendation to document and approve a disaster recovery plan. As of May 30, 2008, MoDOT relocated redundant data backup systems to an off-site location. Since fiscal year 2007, MoDOT has also been working on a multi-year Disaster Recovery program. Funding for fiscal year 2009 has been approved and efforts are underway. A written disaster recovery plan is to be completed by June 30, 2009 as part of the Disaster Recovery program.*
- 2.3 *MoDOT concurs with the recommendation to close inactive user accounts. As of July 11, 2008, MoDOT has disabled the former employee accounts and will have the remaining inactive accounts disabled no later than August 31, 2008. A process has been implemented to dynamically provide information regarding terminated employees for timely disabling of accounts. Additional procedures and processes are currently being implemented to assist in the monitoring and review of user accounts. This will be completed no later than December 31, 2008. MoDOT is also researching tools to assist in automating this effort.*

2.4 MoDOT concurs with the recommendation to design, develop, and approve a security management program. MoDOT has assigned information security responsibilities to a staff designee and created in January 2008 an Information Systems Security Team. These roles have the responsibility of designing, and developing a security management program to be completed by June 30, 2010. We will consider each of the specific security recommendations as we develop the program.



Susan Montee, CPA
Missouri State Auditor

City of Centerview



July 2008

Report No. 2008-48

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

The following findings were included in our audit report on the City of Centerview, Missouri.

The Centerview City Clerk is responsible for all record keeping duties of the city, including duties that would be performed by a City Treasurer and signing checks. There was no evidence the board provided adequate supervision or review of the work performed by the City Clerk. In addition, a complete financial accounting system has not been established and receipts are not deposited on a timely basis.

The practice of allowing elected officials to carry delinquent water/sewer balances represents a potential violation of state law. Except for one alderman, Frank Todd, the current aldermen and former mayor had delinquent utility (water/sewer) bills at the time they filed for election. One alderman owed almost \$3,000 in utility charges, and another alderman owed over \$1,000. Monthly reconciliations of water/sewer billings, payments received, and amounts remaining unpaid are not performed and the gallons of water billed to customers are not reconciled to the gallons of water pumped or compared to the water purchased. Controls over water deposits need to be improved and the adjustment of sewer charges during the summer months does not appear to be approved by the board.

The city does not have formal written bidding and purchasing policies. As a result, the decision of whether to solicit bids and/or proposals for a particular good or service is made on an item-by-item basis. In 2007, the city paid \$1,400 for snow removal, \$1,000 for mowing, \$1,365 for meter reading, over \$14,000 for management of the city's water/wastewater system, and \$2,500 for attorney fees. According to city personnel, the city has not solicited bids/proposals for these goods/services for many years. Additionally, the city did not always have formal written agreements with companies or individuals providing services to the city. Also, the board does not review and approve invoices or other supporting documentation before payment is made and some expenditures do not appear to be prudent or a necessary use of public funds.

The city does not require police officers to prepare timesheets or otherwise account for their time. It appears the police officers set the time and dates they work and neither the board nor the city clerk is aware of when they are or are not working. Also, some elected officials were compensated for performing services for the city and their compensation was not reported to the Internal Revenue Service.

Also included in the audit report are recommendations related to restricted funds, financial reporting and budgets, public records, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF CENTERVIEW

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Centerview, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Centerview. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Centerville.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Jennifer L. Carter

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF CENTERVIEW
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Accounting Controls, Procedures, and Records
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The board needs to provide more supervision and review of the work performed by the City Clerk, establish a complete financial accounting system, ensure wage expense is properly allocated to the various funds, and better manage its bank accounts. In addition, receipts are not deposited on a timely basis, there is no bond coverage for the city clerk and city officials who sign checks, and the petty cash fund is not operated on an imprest basis.

- A. There is no adequate segregation of duties or independent oversight related to the city clerk's office. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer. These duties include billing water and sewer fees, monitoring delinquent water and sewer accounts, receiving and depositing monies, recording receipts and disbursements, preparing and distributing checks, preparing monthly financial reports and bank reconciliations, and maintaining payroll records. Additionally, the City Clerk can sign checks. There was no evidence the board provided adequate supervision or review of the work performed by the City Clerk. The current procedures jeopardize the system of independent checks and balances.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. The City Clerk should not prepare and sign checks. In addition, Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city, the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these offices, by the same person at the same time would be incompatible. Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions.

If proper segregation of duties is not possible, timely supervision or an independent review of the work performed and investigation of any unusual items and variances is necessary.

- B. The city needs to improve its accounting records. A complete financial accounting system has not been established.

The city does not maintain a fund ledger for its various funds showing the beginning balances, monthly revenues by source and expenditures by type, and

ending balances. The city's accounting records include checkbook registers for the general and water/sewer bank accounts, cash receipt listings showing deposits for each bank account, and a monthly "financial statement". The monthly "financial statement" is prepared from the cash receipt listings and checkbook registers and includes a detail list of the receipts and expenditures for the month. However, the financial information is not maintained on a timely basis because at the end of the month all the receipts and disbursements must be recorded again on the financial statement spreadsheet, and the city does not know the fund balance of its various funds until the monthly financial statement is prepared.

Fund ledgers and summary reports showing revenue sources and expenditure types should be prepared for each fund on a monthly basis and used for comparison to budgeted amounts and overall review of city operations. Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made.

- C. The city does not maintain adequate documentation to support the allocation of the City Clerk's wage expense to city funds. The City Clerk's wages are allocated 50 percent to the General Fund, 25 percent to the Water Fund, and 25 percent to the Sewer Fund. Although the City Clerk prepares a time sheet, no detail of her activity is recorded.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activity; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Also, adequate documentation and proper allocation of expenses is useful for both management and planning purposes.

The City Clerk's wage expense should be allocated to the various city funds based on actual time or estimated time based on historical data.

- D. The city needs to better manage its bank accounts. The city currently has three accounts at one bank.
 - 1. The city has not solicited bids for its checking and depositary services nor entered into a written agreement with its depositary bank. Section 95.355, RSMo, provides for the selection of depositary banks and authorizes that the rights and duties of the parties be documented in a depositary contract.
 - 2. At December 31, 2007, the city's deposits exceeded Federal Deposit Insurance Corporation (FDIC) coverage by over \$11,000. Section 110.020, RSMo, requires city funds be secured by collateral securities in the amount of funds on deposit less FDIC coverage.

To ensure the quality of banking services and interest earnings received by the city are maximized, the city should procure its banking services through a competitive bid process. A written depositary contract helps both the city and bank understand and comply with the requirements of any banking arrangements. The contract, among other things, may specify the bank fees for check printing, checking account services, safe deposit boxes, interest charges for borrowing funds, interest rates for invested funds, and a requirement for the bank to pledge collateral security for any deposits in excess of FDIC coverage.

- E. Receipts are not deposited on a timely basis. Monies are generally deposited once per week. During the year ended December 31, 2007, deposits for the water/sewer bank account averaged almost \$1,500, with approximately 25 percent of the deposits received as cash. Receipts for the general bank account averaged approximately \$850, with a nominal amount received as cash.

To adequately safeguard receipts, reduce the risk of loss, theft, or misuse of funds and maximize interest revenue, receipts should be deposited daily or when accumulated receipts exceed \$100.

- F. The city does not have bond coverage for its city clerk and officials. The City Clerk collects monies and signs checks and other authorized check signers are the Mayor and one alderman. The failure to bond all persons with access to assets exposed the city to an unnecessary risk of loss.
- G. The petty cash fund is not operated on an imprest basis and is also used as a change fund. Additionally, a log of petty cash transactions is not maintained. Also, there are no records indicating the proper balance of the fund or when the fund was established. The fund is not reviewed by a person independent of the accounting process. A cash count on January 29, 2008 revealed a petty cash balance of \$103.

The petty cash fund should be operated on an imprest basis, meaning that cash and the invoices should always total the established balance, and checks issued to replenish the fund should equal the amount of the invoices. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect errors, and to prevent these monies from being misused. If a change fund is need, it should be established and maintained at a constant amount.

WE RECOMMEND the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer and/or segregate the duties of the city clerk's office to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.

- B. Ensure a complete financial accounting system is established. Funds should be established for the city's general account and other activities, as appropriate. Summaries should be prepared documenting monthly revenue sources and expenditure types. This information should be used to compare to budget estimates and monitor city operations.
- C. Ensure employee wages are properly allocated to the various funds and are supported by adequate documentation.
- D.1. Seek competitive bids for the city's banking services on a periodic basis, and enter into a written agreement with the depository bank.
- 2. Ensure city funds are secured by adequate collateral securities.
- E. Ensure receipts are deposited daily or when accumulated receipts exceed \$100.
- F. Obtain adequate bond coverage for all persons handling city monies.
- G. Maintain the petty cash fund on an imprest basis and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. A log of petty cash fund transactions should be maintained to properly document the financial activity of the fund. If a change fund is needed, it should be established and maintained at a constant amount.

AUDITEE'S RESPONSE

A. *We agree with this recommendation and are looking into the best way to implement this supervisory review.*

B, E,
&G. *We agree with these recommendations and have started implementing them.*

C, D,
&F. *We agree with these recommendations and plan to implement them.*

2.	Personnel Policies, Procedures, and Records
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Elected officials did not always meet the statutory qualifications for holding office when elected. Some elected officials were compensated for performing services for the city and their compensation was not reported to the Internal Revenue Service (IRS). Additionally, employee compensations are not set by ordinance and police officers are not required to account for their time.

- A. Most elected officials did not meet the statutory qualifications for holding city office when filing for election. According to city records, city officials filed for office when they had unpaid water/sewer fees.

All current aldermen and the former mayor, except for alderman Frank Todd, had delinquent utility (water/sewer) bills at the time they filed for election. One alderman owed almost \$3,000 in utility charges, and another alderman owed over \$1,000.

Section, 115.346, RSMo provides that "no person shall be certified as a candidate for a municipal office...who shall be in arrears for...any unpaid municipal user fees on the last day to file a declaration of candidacy for the office."

The board needs to ensure candidates for city office possess the statutory qualifications for holding office. The board should also consider seeking legal advice from the city attorney regarding the situation.

- B. Some elected officials were compensated for performing services for the city and their compensation was not reported to the IRS.

1. In 2007, the city paid the former mayor (while in office) \$1,365 for reading water meters and turning the meters on/off and a current alderman \$2,440 for snow removal and mowing. Board approval of these arrangements could not be located in the board minutes. Also, there was no documentation the board solicited any bids/proposals for these services.

Section 105.458, RSMo, provides that a member of a governing body is prohibited from performing any service for that political subdivision for any consideration other than the compensation provided for the performance for his/her official duties.

The city should refrain from providing additional compensation to elected official and/or other city officials for services beyond the performance of their official duties.

2. The city did not report the compensation paid to the former mayor and alderman, and had nothing to support why these payments would not be considered taxable compensation.

IRS regulations require employers to report taxable compensation on W-2 forms, withhold payroll taxes, and pay the employer's share of social security on the compensation paid to employees. Similarly, Chapter 143, RSMo, includes requirements for reporting compensation and withholding state income taxes.

The city needs to contact the IRS for guidance regarding the reporting of the compensation paid to the former mayor and alderman and the withholding and payment of applicable payroll and social security taxes and should amended W-2s, as needed.

- C. The city has not established an ordinance for employee compensation. Although, the city sets employee compensation by board vote and/or resolution, Section 79.270, RSMo, provides that city employees salaries be set by ordinance.

Establishing ordinances to set compensation rates, in addition to meeting statutory requirements, document the approved amounts to be paid and eliminates misunderstandings regarding the amount of pay each city employee receives.

- D. Although the city has established the number of hours (30 hours per month, per officer) for its police officers to work, the city does not require documentation to support the hours worked. The two police officers are employed part-time by the city because they are employed full-time as sheriff deputies with the Johnson County Sheriff's Department.

The city does not require the police officers to prepare timesheets or otherwise account for their time. It appears the police officers set the time and dates they work and neither the board nor the city clerk is aware of when they are or are not working.

The board needs to ensure adequate supporting documentation, such as a timesheet, is provided to support the payroll expenses paid and to monitor the hours worked. Lack of adequate documentation prevents the board from evaluating the appropriateness of the compensation.

WE RECOMMEND the Board of Aldermen:

- A. Ensure candidates for city office possess the statutory qualifications for holding office. The board should also consider seeking legal advice from the city attorney regarding the situation.
- B.1. Refrain from providing compensation to city officials for services performed beyond their official duties.
- 2. Contact the IRS for guidance regarding the reporting of the compensation paid to the former mayor and alderman and the withholding and payment of applicable payroll and social security taxes. Amended W-2s should be prepared, as needed.
- C. Establish the compensation of city employees by ordinance.
- D. Require the police officers to document their hours worked.

AUDITEE'S RESPONSE

A. *We will contact the city attorney and ensure all candidates from this point going forward are eligible.*

B.1. *We will have our city attorney look into this situation.*

B.2-D. *We agree with these recommendations and plan to implement them.*

3. Restricted Funds

The city is not in compliance with some bond covenants. In addition, a separate fund and/or accounting has not been established for domestic violence fees, and law enforcement training (LET) fees were not used for training.

A. The city is not in compliance with its Neighborhood Improvement District (NID) bond covenant restrictions. Additionally, the city did not include all costs associated with the bonds when determining the special assessment amount.

In July 2006, the city established the Show Me Industrial Park NID. The city issued general obligation bonds, totaling \$75,000, to fund the installation of water and sewer lines in the city's industrial park and is ultimately responsible for the repayment of the bonds. The primary source of revenue for the bond repayment is the collection of a special assessment on the property within the NID. The sole property owner within the NID chose to pay the special assessment and related interest costs over a 20-year period. The yearly assessment is \$6,127.

The bond covenant requires the city to establish 1) a Project Fund to pay the project costs, 2) a Bond Fund to handle the payment of the bond principal and interest payments, and 3) a Bond Reserve Fund to be maintained while the bonds are outstanding.

Our review of the NID revealed the following problems:

- The bond proceeds were deposited into the water/sewer bank account. Also, the special assessment taxes are deposited in and the bond principal and interest payments are made from this bank account. Thus, the NID monies are co-mingled with city monies.
- The city does not obtain an annual audit of the city funds.

Additionally, the city did not include the administrative and other expenses of the bank which handles the bond payments in the special assessment calculation. The calculation just included the total principal and interest due over the 20-year period. In 2007, the administrative and other expenses totaled \$319. If the city

pays this amount over 20 years, the city will pay over \$6,000 which will not be covered by the special assessment and will need to be paid from city funds.

The bond covenant provides that 1) "All moneys held in the funds ... shall be kept separate and apart from all other funds of the City" to prevent commingling of the NID and city monies and 2) there should be an annual audit of the city's funds and accounts. The failure of the city to comply with the bond covenant could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds. Also, Sections 67.453 and 67.455, RSMo, provide that all costs incurred in connection with a project can be reimbursed through the special assessment.

The city should establish a separate bank account for the NID monies, and secure an annual audit as required by the bond covenant. An annual audit of the city funds would also help ensure city financial transactions have been properly recorded. Also, the city should adjust the special assessment amount to include all costs associated with the project.

- B. The city has not established a separate fund and/or accounting for the domestic violence fees. These fees are recorded in the Law Enforcement Fund. Section 488.607, RSMo, provides that domestic violence fees be disbursed to provide "operating expenses for shelters for battered persons". City personnel indicated the city has not provided any funding to such a shelter. In 2007, the city received domestic violence fees, totaling \$56. However, the city has not determined a balance for these fees.

The city should establish a separate fund and/or accounting for domestic violence fees and ensure the fees are used in accordance with state law.

- C. The LET fees may have been used for improper purposes. The city maintains a separate accounting for these fees. However, these law enforcement monies are recorded in the Law Enforcement Fund which includes other law enforcement related revenues. At December 31, 2007, the Law Enforcement Fund balance was \$282; however, the city's separate accounting for the LET fees showed a \$2,310 balance, with revenues totaling \$556 in 2007.

It appears over \$2,000 may have been used for other than training purposes. Section 488.5335, RSMo, provides that LET fees should only be used to pay for the training of law enforcement personnel. According to city records, no LET fees were used for training during the year ended December 31, 2007.

The city needs to ensure LET fees are used in accordance with state law.

WE RECOMMEND the Board of Aldermen:

- A. Ensure compliance with all terms of the bond covenant. Additionally, the city should adjust the special assessment amount to include all costs associated with the project.
- B. Establish a separate fund and/or accounting for the domestic violence fees and ensure these fees are used in accordance with state law.
- C. Ensure LET fees are used in accordance with state law.

AUDITEE'S RESPONSE

A-C. *We agree with these recommendations and plan to implement them.*

4. Budgeting, Financial Reporting, and Planning
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Significant weaknesses were identified in the city's budgeting, financial reporting, and planning. Budgets do not include sufficient information, actual disbursements exceeded the budgeted amounts in some funds, and budget to actual information is not adequate. Also, the annual tax levy is not set by ordinance, financial reports are not filed with the State Auditor's Office, and an annual maintenance plan for city streets is not prepared.

- A. The city does not prepare and adopt annual budgets in accordance with statutory provisions. The budgets do not include a budget message and general budget summary, actual revenues and disbursements for the two preceding budget years, beginning available resources and estimated ending available resources, or information regarding the city's debt. The annual budgets only include the budgeted receipts and disbursements for the General, Street, Law Enforcement, Water, and Sewer Funds. In 2007, budgets were not prepared for the NID and Community Development Block Grant. In addition, the budgets for 2008 and 2007 were not adopted until after the beginning of the fiscal year.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year and Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendments of the annual budget. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two proceeding years. In addition, Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost

and revenue expectations for the district's operations, and a means to effectively monitor actual costs by periodically comparing budgeted to actual disbursements. It will also assist in setting tax levies and informing the public about city operations and current finances.

- B. For the year ended December 31, 2007, the city's actual expenditures exceeded budgeted amounts for the General, Law Enforcement, Water, and Sewer Funds as follows:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>(Over) Budget</u>
General	\$ 20,325	21,426	(1,101)
Law Enforcement	12,710	15,460	(2,750)
Water	58,535	60,994	(2,459)
Sewer	16,875	18,250	(1,375)

The city did not prepare amended budgets for these funds nor did the city set forth any reasons for exceeding the budgeted amounts in the board minutes or adopt a resolution authorizing the additional expenditures. As noted below, the city has no adequate mechanism to monitor budgeted and actual expenditures.

The budget process provides a means to allocate financial resources in advance and to monitor revenues and expenditures throughout the year. Failure to adhere to expenditures limits imposed by the budgets weakens the effectiveness of the process. Section 67.040, RSMo, requires political subdivisions to keep expenditures within amounts budgeted and allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no expenditure of public monies should be made unless it is authorized in the budget. The city should formally amend the budget before the related expenditures are incurred.

- C. The monthly budget to actual expenditure reports presented to the board are not adequate. The reports do not show a comparison of the cumulative revenues by source and expenditures by type to the budgeted amounts. The reports only show the total budgeted revenues and expenditures for the year and the total actual revenues and expenditures for the month.

To help ensure the city's budget and financial condition is adequately monitored, detailed budget to actual reports need to be prepared and reviewed by the board. A complete and detailed budget to actual report would also help ensure budgets are not overspent and funds are available for expenditures.

- D. The city does not set the property tax rate by ordinance. A resolution is approved to establish the annual tax rate. Sections 94.190.3 and 94.210, RSMo, require the property tax rate be set by ordinance.

- E. The city has not prepared and submitted annual financial reports to the State Auditor's Office since 1997. Section 105.145, RSMo, requires the city to file an annual report of its financial transactions with the State Auditor's Office. An unaudited financial report is due within four months after the end of the city's fiscal year, while audited financial statements are due within six months after the end of the city's fiscal year.

The board should ensure annual financial reports submitted to the State Auditor's Office accurately and completely reflect the financial activity and balances of the various city funds.

- F. Although street maintenance materials purchased totaled less than \$2,500 for the year ended December, 31, 2007, the city should consider preparing an annual maintenance plan for city streets. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year and can serve as a useful management tool and provide greater input into the overall budgeting process.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

WE RECOMMEND the Board of Aldermen:

- A. Prepare annual budgets which contain all information required by state law. The budgets should be approved prior to the beginning of the city's fiscal year.
- B. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended.
- C. Ensure complete and detailed monthly budget to actual reports are prepared and reviewed by the board.
- D. Set the annual property tax rate by ordinance, as required by state law.
- E. Prepare and submit annual financial reports to the State Auditor's Office as required by state law.
- F. Prepare an annual street maintenance plan as part of the budget.

AUDITEE'S RESPONSE

A-E. We agree with these recommendations and plan to implement them.

F. We will evaluate this recommendation.

5. Expenditures

The city needs to develop formal bidding and purchasing policies and require written agreements with companies or individuals providing services to the city. Also, the board did not review and approve invoices or other documentation before payment was made. In addition, some expenditures did not appear to be prudent, reasonable, or a necessary use of public funds.

- A. The city does not have formal written bidding and purchasing policies. As a result, the decision of whether to solicit bids and/or proposals for a particular good or service is made on an item-by-item basis. Also, recent bids/proposals have not been solicited for various goods and/or services.

For example, in 2007, the city paid over \$600 for saturock (used to fill potholes), \$1,400 for snow removal, \$1,000 for mowing, \$1,365 for meter reading, and over \$14,000 for management of the city's water/wastewater system and \$2,500 for attorney fees. According to city personnel, the city has not solicited bids/proposals for these goods/services for many years.

Formal bidding and purchasing would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with bidders that offer the best value. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Not only can bids be handled by telephone quotation but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The city did not always have formal written agreements with companies or individuals providing services to the city.

For example, the city does not have a written agreement with the Johnson County Sheriff regarding the boarding of prisoners for the city or for the attorney fees, mowing, snow removal, and meter reading mentioned above. In addition, there are no written employment agreements with the two county deputies who act as city police officers.

Also, although city personnel indicated there were written agreements for its bond counsel and paying agent for the NID bonds, and grant administrator, the city could not locate these agreements.

The city should obtain formal written agreements, as needed, which specify the services to be rendered and the manner and amount of compensation to be paid. Furthermore, Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. Additionally, the city should retain its written agreements.

- C. The board does not review and approve invoices or other supporting documentation before payment is made. Although the board minutes document a general reference that disbursements are approved for payment and a listing of the disbursements is prepared to accompany the minutes, invoices/supporting documentation are not provided to the board for their review. According to city personnel, the invoices/supporting documentation is available upon request.

Supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made to ensure all disbursements represent valid operating costs of the city. Also, to adequately document the board's review and approval of all disbursements, the listing of disbursement should be signed or initialed by the board to denote its approval, and retained with the official minutes.

- D. Some expenditures did not appear to be prudent, reasonable, or a necessary use of public funds. These include:

- The purchase of holiday gifts (food), totaling \$60, for city employees.
- The purchase of 2008 pocket calendars, totaling \$334, given as holiday gifts to city residents.

These expenditures do not appear to be a necessary cost of operating the city and constitutes a questionable use of public funds. The city's residents have placed a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The board should evaluate the propriety of spending public funds on these types of expenditures.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding and purchasing policies, with provisions for documentation of the justification for selecting and rejecting bids/proposals.

- B. Obtain and retain formal written agreements for services which specify the services to be rendered and the manner and amount of compensation to be paid, as applicable.
- C. Review and approve the disbursement of city funds prior to the disbursements being made. Also, the listing of disbursements should be signed or initialed by the board to denote its approval, and retained with the official minutes.
- D. Ensure all expenditures from city monies are necessary and a prudent use of public funds.

AUDITEE'S RESPONSE

- A-B. *We agree with these recommendations and plan to implement them.*
- C. *We agree and have started implementing this.*
- D. *We will evaluate this situation.*

6. Water and Sewer Services

The practice of allowing elected officials to carry delinquent water/sewer balances represents a potential violation of state law. Monthly reconciliations of water/sewer billings, payments received, and amounts remaining unpaid are not performed and the gallons of water billed to customers are not reconciled to the gallons of water pumped or compared to the water purchased. Controls over water deposits need to be improved and the adjustment of sewer charges during the summer months does not appear to be approved by the board.

- A. Most elected officials maintained delinquent water/sewer balances. During 2007, two aldermen had significant delinquent balances. One had an average month-end balance of over \$3,000 and the other balance was over \$1,000. In addition, the former mayor and another alderman had average month-end delinquent balances of approximately \$650 and \$300, respectively.

According to the former mayor, the elected officials and the city clerk were not charged late fees and water service was not shut-off for delinquent balances because the elected officials were not paid compensation and they did many things for the city.

The city code provides a late fee of \$5 (\$2 prior to August 2007) be charged if payment is received after the 10th of the month and any bill not paid by the 20th of the month would result in service being disconnected on the next meter reading date.

Officers of a city serve in a fiduciary capacity and should not use their position for personal gain. Additionally, this situation represents a potential violation of state law. The Missouri Constitution prohibits a political subdivision "to lend its credit or grant public money or property to any private individual, ... except as provided in the constitution.

The city should stop its practice of allowing elected officials to carry delinquent water/sewer balances. Additionally, the city should make arrangements for these delinquent balances to be paid in a timely manner.

- B. The city does not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for the water and sewer services. Although delinquent amounts are recorded on the individual utility cards, a summary of delinquent amounts is not prepared. At our request, the city prepared a list of delinquent accounts at December 31, 2007. The delinquent balance was over \$9,400.

Monthly accounts receivable listings should be reconciled to the beginning accounts receivable, plus billings, less collections and other adjustments. Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any error or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made and to facilitate independent review.

- C. The city does not compare or reconcile gallons of water billed to customers to the gallons of water pumped. The city purchases its water from a public water supply district. During 2007, the city purchased an average of 565,500 gallons of water per month. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the gallons of water pumped to the gallons of water billed on a monthly basis and compare these amounts to gallons of water purchased. Significant differences should be investigated.

- D. Controls over water deposits need to be improved. Additionally, the cash balance of the Water Fund at December 31, 2007 was not sufficient to cover the water deposits liability. It appears water deposits have been used for other purposes.

Adequate records of water deposits are not maintained, and the deposits recorded on the utility cards are not reconciled to the liability account. City residents are required to pay a refundable deposit for water service. Currently, the city collects \$100 from residents. The water deposits represent a liability to the city.

Although the water deposits are recorded on individual utility cards when paid, a summary total from the cards is not maintained. At our request, the city prepared a deposit list as of December 31, 2007 from the utility cards which totaled \$6,260. The liability account balance, totaling \$9,477, exceeds this amount by over \$3,200. In addition, the cash balance of the Water Fund at December 31, 2007 was less than \$4,000. Thus, it appears the city has used water deposits for other purposes.

To ensure the city is properly holding water deposits from customers, an accurate list of water deposits held by the city should be maintained, which includes the deposit amount, the date received, and the date and amounts of deposit refunds. The deposit list should be reconciled monthly to the monies held in the liability account to ensure records are in balance and water deposits are properly accounted for. Without these reconciliations the possibility of undetected errors increases. Also, the city needs to ensure sufficient funds are reserved for its water deposit liability.

- E. There is no authorization for the adjustment of sewer charges during the summer months. Each year, from June to August (option to extend to September), sewer charges are adjusted to the lesser of the actual charge or the resident's average winter usage (January to March). For four accounts reviewed, the adjustment resulted in a write-off of over \$30 in sewer charges from June to September, 2007.

However, this adjustment is not authorized in the city's water/sewer ordinances, recorded as approved by the board in the board minutes, or otherwise justified.

Since sewer charges are user charges which should cover the cost of providing the related services including any related debt retirement, and depreciation and replacement costs, any adjustment to sewer charges should be properly approved by the board.

WE RECOMMEND the Board of Aldermen:

- A. Stop the practice of allowing elected officials to carry delinquent water/sewer balances. Additionally, the city should make arrangements for the current and prior officials to pay their delinquent balances in a timely manner.
- B. Require a control ledger be maintained and a monthly reconciliation performed of the amounts billed to amounts collected and delinquent accounts.
- C. Compare the gallons of water pumped to gallons billed on a monthly basis, reconcile to the gallons of water purchased, and investigate significant differences.

- D. Ensure adequate records of water deposits are maintained, including deposits received, disbursed, and the balance. The deposit record should be reconciled to the liability account balance on a periodic basis. In addition, the city should ensure sufficient funds are reserved for its water deposits liability.
- E. Ensure any adjustments to the city's sewer rates/charges are properly authorized.

AUDITEE'S RESPONSE

- A. *We have made payment arrangements for officials and have planned a meeting to decide how to handle delinquent accounts.*
- B-D. *We agree with these recommendations and plan to implement them.*
- E. *We agree with the recommendation and will pass an ordinance regarding the summer sewer adjustment.*

7. Public Records

The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. The policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making city records available to the public. Section 610.026, RSMo, allows the city to charge fees for copying public records, including document research and duplication.

WE RECOMMEND the Board of Aldermen develop written policies regarding procedures to obtain access to, or copies of, public city records.

AUDITEE'S RESPONSE

We agree with this recommendation and plan to implement it.

8. Capital Assets

The city needs to improve its controls over capital assets. The city does not maintain adequate, detailed records of its capital assets. In addition, the city allows elected officials and residents to use the city's backhoe for personal use.

- A. The city does not maintain complete and detailed records for its capital assets, including land, buildings, equipment, and furniture. In addition, property is not

tagged for specific identification and an annual physical inventory of the property is not performed. The city only maintains a folder that contains the original invoices when capital assets are purchased; however, this information was incomplete.

Property records for capital asset records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. To develop appropriate records and procedures for capital assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. In addition, the city needs to maintain the property records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Periodically, the city should conduct physical inventories and compare to the detailed records. A physical inventory would also help identify outdated, obsolete, or idle equipment.

- B. The city allows elected officials, employees, and residents to use the city's backhoe for personal use. In February 2004, the city approved a resolution to charge \$50 per hour or a maximum of \$300 per day for the use of the city's backhoe. However, according to the former mayor, elected officials are not charged to use the backhoe. In addition, only an alderman or city employee was authorized to operate the backhoe.

Although the backhoe log shows limited personal use of the backhoe (twice by aldermen and once by a resident) since December 2006, it does not appear appropriate for elected officials and residents to use city property for personal use. The city should not allow the use of the city's backhoe for personal use.

WE RECOMMEND the Board of Aldermen:

- A. Maintain property records for capital assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for property additions or dispositions as they occur. Additionally, annual physical inventories should be performed and compared to the detailed records.
- B. Ensure city property is used only for city business.

AUDITEE'S RESPONSE

A-B. We agree with these recommendations and plan to implement them.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF CENTERVIEW
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Centerview is located in Johnson County. The city was incorporated in 1960 and is currently a fourth-class city. The population of the city in 2000 was 249.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2007, are identified below. The mayor and board of aldermen do not receive compensation for board meetings. However, some elected officials received compensation for other services provided the city.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Doris Chamberlain, Mayor (1)	January to December	\$ 1,365
James Foote, Alderman (2)	January to December	0
Jeff Jones, Alderman	January to December	2,440
Frank Todd, Alderman (3)	January to December	0
Ron Todd, Alderman	January to December	0
Other Officials	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Evelyn Woodward, City Clerk (4)	January to December	\$ 6,870
Steven Edwards, City Marshal	January to December	5,760
Andrew Gobber, Assistant City Marshal	January to December	5,760
Caley Stecker, Animal Control Officer	January to December	353
Douglas Harris, City/Prosecuting Attorney (5)	January to December	2,776

(1) Frank Todd was elected Mayor in April 2008.

(2) Caley Stecker was elected Alderman in April 2008.

(3) William Fletcher was appointed to replace Alderman Todd in May 2008.

(4) Evelyn Woodward resigned in February 2008. Kris Swope was appointed to replace her in March 2008.

(5) Douglas Harris is paid a monthly retainer of \$170 per month as city attorney and \$105 per hour for prosecuting attorney services.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 1,025,518
Personal property	204,371
Railroad and utility	<u>108,357</u>
Total	<u>\$ 1,338,246</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General Fund	\$ 0.8336

The city receives a portion (based on population) of a county-wide sales tax. The sales tax is to be used for law enforcement purposes. The tax is \$.005 per \$1 of retail sales.

In 2007, the city made principal and interest payments of \$6,129 on its general obligation Neighborhood Improvement District bonds. The current principal balance as of December 31, 2007 is \$73,000. The final principal and interest payment is due in March 2026.

A summary of the city's financial activity for the year ended December 31, 2007, is presented below:

	General Fund	Street Fund	Law Enforcement Fund	Water Fund	Sewer Fund	Restricted Fund	Neighborhood Improvement District Fund	Community Development Block Grant Fund
RECEIPTS								
Real estate and personal property taxes	\$ 9,897	0	0	0	0	0	0	0
Railroad and utility taxes	1,192	0	0	0	0	0	0	0
Tax assessments	0	0	0	0	0	0	6,127	0
County law enforcement sales taxes	0	0	10,962	0	0	0	0	0
Motor fuel and motor vehicle taxes	0	10,512	0	0	0	0	0	0
Franchise fees	13,078	0	0	0	0	0	0	0
Licenses and permits	85	0	0	990	0	0	0	0
Dog tags and kennel permits	316	0	0	0	0	0	0	0
Fines and penalties	0	0	0	2,048	0	0	0	0
Interest income	67	0	0	117	117	0	0	0
Municipal court fines	146	0	1,078	0	0	0	0	0
Law enforcement training fees	0	0	556	0	0	0	0	0
Domestic violence fees	0	0	56	0	0	0	0	0
Sales	0	0	0	45,766	22,421	0	0	0
Sales tax collected	0	0	0	695	0	0	0	0
Operating fees	0	0	0	3	92	0	0	0
Water deposits	0	0	0	2,429 *	0	0	0	0
Grant proceeds	0	0	0	0	0	0	0	194,350
Miscellaneous	380	0	0	100	50	0	0	0
Total Receipts	25,161	10,512	12,652	52,148	22,680	0	6,127	194,350
DISBURSEMENTS								
Water purchases	0	0	0	40,467	0	0	0	0
Salaries	3,018	0	10,639	2,212	2,212	0	0	0
Employment taxes	1,009	0	1,768	322	322	0	0	0
Workers' compensation insurance	166	166	166	166	166	0	0	0
Mileage reimbursements	398	15	0	149	149	0	0	0
Administration and legal	2,776	0	0	0	0	0	0	0
Animal control expenses	772	0	0	0	0	0	0	0
Utilities and street lights	2,082	3,121	0	613	197	0	0	0
Office expenses	1,498	0	0	297	265	0	0	0
Insurance	1,453	905	2,183	741	163	0	0	0
Sales tax	0	0	0	483	0	0	0	0
Memberships and dues	275	0	0	0	0	0	0	0
Election expenses	397	0	0	0	0	0	0	0

	General Fund	Street Fund	Law Enforcement Fund	Water Fund	Sewer Fund	Restricted Fund	Neighborhood Improvement District Fund	Community Development Block Grant Fund
Materials-streets	0	2,330	0	0	0	0	0	0
Maintenance and repairs	7	0	0	12,294	10,556	0	0	0
Property and equipment upkeep	0	1,113	90	0	0	0	0	0
Diesel	0	285	0	0	0	0	0	0
Mowing and snow removal	1,000	1,440	0	0	0	0	0	0
Supplies and equipment	14	437	64	777	523	0	0	0
Operating fees	0	0	0	396	88	0	0	0
Citywide cleanup	1,600	0	0	0	0	0	0	0
Halloween party	155	0	0	0	0	0	0	0
Dispatch fees	1,091	0	0	0	0	0	0	0
Police vehicle maintenance and repairs	0	0	162	0	0	0	0	0
Gasoline	0	0	252	0	0	0	0	0
Water deposits refunded	0	0	0	2,048 *	0	0	0	0
Boarding of prisoners	0	0	135	0	0	0	0	0
Bond payment	0	0	0	0	0	0	6,129	0
Bond administrative expenses	0	0	0	0	0	0	319	0
Grant administrative expenses	0	0	0	0	0	0	0	4,350
Engineering services	0	0	0	0	0	0	0	5,000
Construction costs	0	0	0	0	0	0	0	185,000
Miscellaneous	1,212	19	0	29	9	0	0	0
Total Disbursements	18,923	9,831	15,459	60,994	14,650	0	6,448	194,350
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	6,238	681	(2,807)	(8,846)	8,030	0	(321)	0
OPERATING TRANSFER IN (OUT)	(2,500)	0	2,500	0	(3,600)	3,600	0	0
RECEIPTS OVER (UNDER)								
DISBURSEMENTS AND TRANSFERS	3,738	681	(307)	(8,846)	4,430	3,600	(321)	0
CASH BALANCE, JANUARY 1, 2007	10,512	14,269	589	12,807	53,035	9,711	6,623	176
CASH BALANCE, DECEMBER 31, 2007	\$ 14,250	14,950	282	3,961	57,465	13,311	6,302	176

* The water deposits and refunds are tracked in a liability account. According to city records, the liability account balance as of December 31, 2007 was \$9,477.



Susan Montee, CPA
Missouri State Auditor

TAX CREDIT

Analysis of Affordable Housing Tax Credit Program



July 2008

Report No. 2008-47

auditor.mo.gov



Improvement Needed in Affordable Housing Assistance Tax Credit Program Administration

This audit evaluated the Missouri Housing Development Commission's (MHDC) administration and the cost-effectiveness of the state's Affordable Housing Assistance Tax Credit (AHATC) Program. The credit is designed to induce contributions by business firms of cash, equity, professional services, and real or personal property to not-for-profit organizations involved in the construction or rehabilitation of specific developments that will have affordable housing units. For each fiscal year, \$11 million in tax credits (\$10 million for projects and \$1 million for not-for-profit organization administrative costs unrelated to projects) are available for distribution. The credit is not to exceed 55 percent of the value of the contribution. This means for every \$1 of AHATC issued, \$1.82 in cash, property, or services goes toward affordable housing. MHDC records show that from fiscal year 1991 to 2007, an estimated \$186 million has been donated through the AHATC Program, resulting in \$102.3 million in AHATCs being issued. Approximately \$72.5 million in tax credits has been redeemed through fiscal year 2007, leaving \$29.8 million in credits outstanding. MHDC data shows 7,895 units of affordable housing have been placed in service from fiscal year 1991 through 2007 utilizing the tax credit. State law requires the State Auditor to perform a cost-benefit analysis of all state tax credit programs, and this report is part of ongoing work.

Evaluation of appraisals for donated properties needs improvement

MHDC did not adequately ensure the value of property donated through the AHATC. During 2006 and 2007, a not-for-profit organization received a donation of 20 apartment properties, containing 464 total units, with the donor receiving \$5,092,007 in AHATCs (28 percent of tax credits issued for housing production during the period). Our review of appraisals for 3 of the 20 donated properties showed the method of calculating the value of the property was not consistent with other appraisals reviewed. An appraiser, who reviewed the appraisals at our request, told us the method used to appraise the value of these three properties was not consistent with the typical and accepted method used to value properties of this type. MHDC's appraiser also reviewed one of the appraisals at our request and concluded the appraisal was insufficient. He said he would have recommended sending the appraisal back to the appraiser for revision. One company performed all 20 appraisals for the properties donated. MHDC staff said they did not ask the staff appraiser to evaluate the appraisals on these properties at the time of the donation because they considered the donor's submitted appraisals sufficient. (See page 8)

Donated services need more evaluation

MHDC uses insufficient procedures to ensure the value of donated services. Our review of project files showed invoices from donors typically supported documentation of services provided; however, the invoices did not always include details such as the number of hours spent and the hourly rate charged for the services. (See page 9)

Use of AHATCs to fill LIHTC funding gaps provides minimal benefit

The AHATC is commonly used with projects receiving state and federal Low Income Housing Tax Credits (LIHTCs). For fiscal years 2006 and 2007, approximately 45 percent (\$8.3 million) of production AHATCs went to projects that also received federal and state LIHTC funding. Of the \$8.3 million in AHATCs combined with LIHTC projects, \$1.6 million (19 percent) had been applied for and obtained to fill funding gaps or cover cost

overruns in projects where LIHTCs had already been awarded with construction already underway. When state LIHTC funding is already being used to build rent restricted housing, the use of AHATCs in this manner provides minimal return to the state due to the limited number of units allocated for AHATC purposes. (See page 10)

Economic benefit
overstated

The economic impact being reported to the General Assembly regarding AHATCs is overstated. For the fiscal year 2009 state budget process, the General Assembly received information showing 1,956 and 1,910 units of housing placed in service for 2006 and 2007, respectively. Data provided to us by MHDC shows only 698 and 546 AHATC units, respectively, actually placed in service during those years. MHDC staff said the number of units reported may have been total overall units, which would include LIHTC units as well as AHATC units. (See page 11)

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Abbreviations

AHATC	Affordable Housing Assistance Tax Credit
DED	Department of Economic Development
DOR	Department of Revenue
LIHTC	Low Income Housing Tax Credit
MHDC	Missouri Housing Development Commission
RDP	Rural Development Program
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Joint Committee on Tax Policy
and
Missouri Housing Development Commission
and
Pete Ramsel, Executive Director
Missouri Housing Development Commission
and
Gregory A. Steinhoff, Director
Department of Economic Development
Jefferson City, MO

State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. The audit objectives included (1) analyzing the costs and benefits of the Affordable Housing Assistance Tax Credit (AHATC) Program to determine if it is an effective and efficient use of state resources, (2) reviewing other states' AHATC programs for potential changes to Missouri's program, and (3) evaluating Missouri Housing Development Commission (MHDC) controls and procedures over management of the program.

We determined the AHATC has resulted in \$186 million in cash, property, and services being donated toward affordable housing from 1991 through 2007. As a result, a total of \$102 million in AHATCs have been issued over that timeframe. The audit found AHATCs are frequently used on projects also receiving Low Income Housing Tax Credit (LIHTC) funding. Management of the program needs improvement because current procedures (1) have not ensured proper valuation of donated property and services, (2) allow credits to be used to fill funding gaps on projects resulting in limited additional public benefit, (3) have not always ensured reasonable program costs, (4) allowed issuance of tax credits for projects not completed, and (5) have resulted in reporting of overstated program benefits to the General Assembly. Also, state law changes could benefit the program.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception of the external impairment of access to tax credit redemption data from income tax returns which limited our ability to conduct our work. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel and John Luetkemeyer. Key contributors to this report included Jon Halwes, Robert Showers, and Travis Owens.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Affordable Housing Assistance Tax Credit (AHATC) Program started in 1990 and is established under Section 32.105 and Sections 32.111 to 32.115, RSMo. The tax credit has no expiration. The Missouri Housing Development Commission (MHDC)¹ manages the program which is designed to induce contributions by business firms² of cash, equity, professional services, and real or personal property to not-for-profit organizations involved in the construction or rehabilitation of specific developments that will have affordable housing units.

Tax credits can generally be broken into three categories. Some are established to create certain economic benefits, some are established to induce certain social benefits and others are created for both economic and social benefits. The AHATC is designed to create both economic and social benefits with more emphasis on social impact. The social impact of more and/or better housing can induce economic benefits in a community and the construction phase of projects produces at least short term economic impact.

To be eligible for an AHATC the contribution must be used in the acquisition, rehabilitation, or new construction of a site-specific development or to fund rental assistance for residents of a development. In some cases, the donation may provide assistance for administrative costs of the organization. The not-for-profit organization may be involved directly as part of the development team or it may assist a specific development through a grant or loan. Proposed housing must (1) meet a demonstrated affordable housing need, (2) provide housing for low income persons and families, (3) target housing for persons at or below 50 percent of area median income or provide market rate housing in "rebuilding communities" as defined by state law, and (4) meet economic feasibility guidelines.

Application and approval process

The tax credit approval process begins with the submission of an application from a not-for-profit organization for a specific housing development.

¹ The MHDC includes the Governor, Lieutenant Governor, Attorney General, State Treasurer and six persons appointed by the governor with the advice and consent of the Senate. An Executive Director manages MHDC operations. MHDC is part of the Department of Economic Development.

² Section 32.105, RSMo, defines business firm as a person, firm, a partner in a firm, corporation or a shareholder in an S corporation doing business in the state of Missouri and subject to the state income tax imposed by the provisions of chapter 143, RSMo, or a corporation subject to the annual corporation franchise tax imposed by the provisions of chapter 147, RSMo, or an insurance company paying an annual tax on its gross premium receipts in this state, or other financial institution paying taxes to the state of Missouri or any political subdivision of this state pursuant to the provisions of chapter 148, RSMo, or an express company which pays an annual tax on its gross receipts in this state.

MHDC will accept applications from July 1 through April 30 of each fiscal year. The application generally will describe the physical and financial characteristics of the development, the housing need being addressed, and the anticipated donations or contributions by business firms.

According to MHDC documents, after notifying the State Senator, State Representative and the Mayor of the district or community where the development will be located, allowing a 30 day comment period, and holding a public hearing, the MHDC will notify the sponsor regarding the approval or non-approval of the application for tax credits. If approved, the tax credit reservation letter will inform the sponsor of the tax credit amount reserved and that the donation can be made and accepted. The actual tax credit certification will be issued to the donor after (1) the donor submits evidence that the donation has been made and any required supporting documentation of the value of the donation, (2) the sponsor has submitted any other items or fees requested by the MHDC concerning the development,³ and (3) the restrictive covenants are filed.

Tax credit limits and uses

The credit is not to exceed 55 percent of the value of the contribution. This means for every \$1 of AHATC issued, \$1.82 in cash, property, or services goes toward affordable housing. The AHATC may be sold or transferred, and may be used in the first year or carried forward for 10 years to offset future tax liability.⁴ For each fiscal year beginning July 1, the amount of available AHATC is \$11 million.⁵ Generally, no single entity will be approved for tax credits in excess of \$1 million for a particular project. The tax credits may be redeemed against state income tax, corporate franchise tax, financial institution tax, gross premiums receipt tax, and gross receipts of express companies tax.

Compliance requirements

Developments involving rental units which utilize AHATC funding will be subject to an affordability period of 10 years. During this affordability period, AHATC units must be rent restricted for families with a household income less than 50 percent of area median income. For any year during the affordability period, the owner of the affordable housing rental units shall certify to the MHDC that all tenants renting qualified units are income

³ Such as evidence of ownership of the development site and completed tax credit certifications for each business or individual firm making a donation.

⁴ Section 32.115, RSMo.

⁵ Section 32.115, RSMo, limits annual tax credit issuances to \$10 million for projects and \$1 million to help cover administrative costs of not-for-profit organizations engaged in housing related activities. The tax credit issuance limit for projects started at \$2 million and increased \$2 million per year in subsequent fiscal years until reaching the current \$10 million limit. The \$1 million in credits for administrative costs began in 1997.

eligible. The MHDC is authorized, at its discretion, to audit the records and accounts of the owner to verify the certification. The MHDC compliance unit handles this function.

For owner occupied units, all single family home ownership developments approved by the MHDC are also subject to an affordability period of 10 years. For single family home ownership developments, any subsequent owner, except a lender with a security interest in the property, must also be income qualified under the guidelines established for this program. The acquisition price to any subsequent owner shall not exceed the acquisition price to the original owner at the time tax credits are first claimed by more than 5 percent annual appreciation.

Donation-based Housing Programs in Other States

Based on our review of other state programs, Missouri is one of six states which has a donation-based (charitable) housing tax credit and is one of three states which has implemented a charitable credit as well as a state Low Income Housing Tax Credit (LIHTC) Program. Of the states with a charitable housing tax credit, only Missouri and Connecticut limit donations from individuals. Connecticut does not allow any donations from individuals while Missouri limits participation to only individuals with farm or rental income. Missouri is also one of two states which allow services to be donated. Table 1.1 compares Missouri's AHATC to the other state charitable tax credit programs,⁶ including the level of funding involved, the percentage of the donation awarded in credits, the types of donations allowed, and allowable donors.

Table 1.1: Donation-based Housing Tax Credit Programs

State	2007 Awards	2007 Per Capita	Credit Percent	Donations Allowed				Allowable Donors	
				Cash	Real Property	Personal Property	Services	Individual	Business
Connecticut	\$10,000,000	\$2.85	100	X					X
Missouri	10,461,228 ²	1.79	55	X	X	X	X	¹	X
Illinois	16,591,660	1.29	50	X	X	X		X	X
Arkansas	750,000	0.27	30	X	X	X		X	X
New Mexico	490,250	0.25	50	X	X	X	X	X	X

¹ Missouri law allows contributions by business firms which are defined as a person, firm, a partner in a firm, corporation or a shareholder in an S corporation doing business in the state. Based on the law, MHDC requires individuals to have farm or rental income to be an eligible donor.

² Includes an award of \$810,150 in tax credits not issued. The credits may still be issued if the not-for-profit organization completes the award process.

Source: Housing agency documentation and interviews with housing agency officials

⁶ Vermont is not included in the Table 1.1. Vermont utilizes a program which awards tax credits to individuals or entities who invest in loan funds which provide low-interest rate loans to affordable housing developments.

Tax Credits Issued and Redeemed, Units Developed

MHDC records show that from fiscal year 1991 to 2007, an estimated \$186 million has been donated through the AHATC Program, resulting in \$102.3 million in AHATCs being issued. Approximately \$72.5 million in tax credits has been redeemed through fiscal year 2007, leaving \$29.8 million in outstanding tax credits.⁷ For fiscal years 2004 through 2007 an average of \$10.2 million has been issued annually, with an average of \$7.5 million being redeemed each year. See Appendix I for detailed data on credits issued and redeemed.

According to MHDC data, 7,895 units of affordable housing have been placed in service from fiscal year 1991 through 2007 utilizing the AHATC. For fiscal years 2004 through 2007, an average of 606 AHATC units per year have been placed in service. Table 2.1 provides detail of the distribution of AHATCs by project type and funding for fiscal years 2006 and 2007.

Table 1.2: Distribution of AHATCs by Project Type and Funding - 2006 and 2007

Project Type	Number of Units	Percent of Total	Tax Credits²	Percent of Total
New	428	34.4	\$7,845,443	42.5
Rehabilitation	522	42.0	3,972,103	21.5
Existing Units ¹	281	22.6	6,301,126	34.1
Other	13	1.0	340,450	1.9
Totals	1,244	100.0	\$18,459,122	100.0

¹ Existing units refers to United States Department of Agriculture Rural Development Program properties donated to a not-for-profit organization. See page 8 for additional information.

² Includes only production credits. Amounts in Appendix I include both production and administrative credits.

Source: MHDC data and project applications

Scope and Methodology

Section 620.1300, RSMo, requires the State Auditor's office to analyze the cost-benefit impact to evaluate the effectiveness of all state tax credit programs.

To gain an understanding of the AHATC, we interviewed MHDC officials involved in the application and approval process as well as staff involved in monitoring the compliance of AHATC projects. We also discussed tax

⁷ The amount of outstanding credits will be slightly overstated due to tax credit redemption data from early in the program being incomplete. DED and DOR staff could only provide tax credit redemption data back to fiscal year 1994. Also, the amount may include some credits which are no longer eligible for redemption due to time expiration. Current law does not require DOR to maintain this information.

credit redemptions with officials at the Department of Revenue (DOR) and the Department of Economic Development (DED).

We analyzed data on all 87 AHATC production projects for 2005 to 2007. In addition, we reviewed project files for five AHATC projects. As part of this review, we interviewed staff of the United States Department of Agriculture, Rural Development Program (RDP) and officials with the not-for-profit organization that received the donated RDP properties discussed in the report. We also interviewed the MHDC staff appraiser and an appraiser in the Kansas City area regarding appraisals on these properties. We reviewed appraisal documents for an additional four properties as a result of issues identified during that review.

To assess total AHATCs reserved, issued, redeemed, and outstanding, we obtained data from MHDC, DOR, and DED.

To determine how Missouri's AHATC compared to similar tax credits in other states, we reviewed housing agency documents and had discussions with housing agency officials in Arkansas, Connecticut, Illinois, New Mexico, and Vermont.

To understand how the economic impact of the AHATC is calculated, we met with a representative of the DED responsible for completing the economic impact budgetary documents for the tax credit. We also discussed with MHDC staff the assumptions provided to DED staff to calculate the economic impact of the AHATC.

We obtained aggregate totals of annual tax credit redemptions from the DOR. We were not provided detailed redemption information. The Director of the DOR denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). This external impairment limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

Affordable Housing Assistance Program Could Be Improved

Management of the program needs improvement because current procedures (1) have not ensured proper valuation of donated property and services, (2) allow credits to be used to fill funding gaps on projects resulting in limited additional public benefit, (3) have not always ensured reasonable program costs, (4) allowed issuance of tax credits for projects not completed, and (5) have resulted in reporting of overstated program benefits to the General Assembly. Also, state law changes could benefit the program.

Value of Donations Not Always Ensured

MHDC did not adequately ensure the value of property and services donated through the AHATC. Donated properties are awarded AHATCs based on an appraisal of the property supplied by the donor. According to MHDC staff, no independent appraisal is performed, despite having an appraiser on staff.

During 2006 and 2007, a not-for-profit organization received a donation of 20 apartment properties, containing 464 total units, with the donor receiving \$5,092,007 in AHATCs (28 percent of tax credits issued for housing production during the period). As part of the transaction, the not-for-profit organization took over the properties and assumed any existing federal program debt associated with the properties. The donor received tax credits equaling 55 percent of the appraised value of the properties, less any debt assumed by the not-for-profit organization. Appraisals obtained by the donor valued the properties at a total of \$19,740,825,⁸ or an average of \$987,041 per property. According to officials of the not-for-profit organization, six of the properties have been renovated during 2006 and 2007 using LIHTC funding, and three have been approved to receive LIHTC funding in 2008. The official said none of the properties had central air or heat and all need complete renovation. MHDC officials said they approved the transactions to preserve the low income status of the properties that had been part of the United States Department of Agriculture RDP. That agency planned to foreclose on the properties if the transfer did not take place.

No independent appraisal of properties performed

Our review of appraisals for 3 of the 20 donated RDP properties showed the method of calculating the value of the property was not consistent with other appraisals reviewed. According to an interview with an experienced appraiser, the method used to appraise the value of these three properties was not consistent with the typical and accepted method used to value properties of this type. Using the typical appraisal method, a 137 unit, completely renovated, apartment complex in Kansas City, appraised for \$1.26 million. In comparison, the method used to appraise the RDP

⁸ The total appraised value was calculated from application documents, and includes donated operating reserves in addition to the value of the property in some cases.

properties concluded the value of a 13 year-old, 24 unit (not-renovated) rural apartment building, with no central air or heat, appraised for \$1.18 million. MHDC's appraiser reviewed one of the RDP property appraisals at our request and concluded the appraisal was insufficient. He said he would have recommended sending the appraisal back to the appraiser for revision. One company performed all 20 appraisals for the RDP properties donated.

MHDC staff said they did not ask the staff appraiser to evaluate the appraisals on these properties at the time of the donation because they considered the donor's submitted appraisals sufficient. RDP staff estimated that in addition to the 20 properties donated by this donor, about 14 other rural properties had been contributed by other donors in prior years with the donors receiving AHATCs. The staff also said similar donations would likely take place in the future.

Donated services need more evaluation

MHDC uses insufficient procedures to ensure the value of donated services. Our review of project files showed invoices from donors typically supported documentation of services provided; however, the invoices did not always include details such as the number of hours spent and the hourly rate charged for the services. According to MHDC staff, the reasonableness of a service's value is determined based on staff's professional judgment, and is not verified through any other means. For example, in 2006 a not-for-profit organization received donated website design services with a billed value of \$10,000, with the donating company receiving \$5,500 in administrative tax credits. The invoice and supporting documentation had no detail of hours spent or an hourly rate being charged for the service. MHDC staff said they felt the value of the services was fair and did not ask for any additional detail. We contacted a web design firm who estimated the donated website had a value of about \$5,000.

Use of an improved certification could help ensure value of services

New Mexico⁹ housing agency staff told us they use an affidavit for donated services to help ensure the service is reasonably valued. The affidavit contains more specific language than the certification document used by MHDC, including a statement where the donor affirms the value of the services donated does not exceed the amount the donor charges for similar services to the general public in the ordinary course of the donor's business. The affidavit also includes a statement notifying the donor that false or misleading statements or other information in the application for the tax credits may result in both civil and criminal actions.

⁹ New Mexico is the only other state which allows donations of services for housing credits.

The certification used by MHDC only requires that the donor affirm the value of the donation, although "value" is not defined, and confirms the not-for-profit organization received the donation.

Use of AHATCs to Fill LIHTC Funding Gaps Provides Minimal Benefit

The AHATC is commonly used with projects receiving state and federal LIHTCs. For fiscal years 2006 and 2007, approximately 45 percent (\$8.3 million) of production AHATCs went to projects which also received federal and state LIHTC funding. Of the \$8.3 million in AHATCs combined with LIHTC projects, \$1.6 million (19 percent) had been applied for and obtained to fill funding gaps or cover cost overruns in projects where LIHTCs had already been awarded with construction already underway.

When state LIHTC funding is already being used to build rent restricted housing, the use of AHATCs in this manner provides minimal return to the state. MHDC designates a prorated portion of units as AHATC restricted units, based on the AHATC funding as a percentage of total development costs. This results in a low number of units being restricted at the AHATC level of 50 percent of area median income. For example, a 2007 project which received \$250,000 of AHATCs resulted in 3 units (out of 44 total units) being placed under AHATC restrictions. LIHTC project units are already restricted to individuals making less than 60 percent of area median income.

Funding gap donation typically made by a party related to the development

Our review of projects showed donations to fill funding gaps in LIHTC projects were typically made by individuals or parties directly affiliated with a project's development team. We also noted instances where a bank or tax credit syndicator already involved in a LIHTC development provided a separate donation to help fill funding gaps in an ongoing project and received AHATCs for the donation. For example, in order to fill a funding gap in a 2007 project which had been approved to receive state and federal LIHTCs, an individual associated with the development partnership made a \$454,545 personal donation and received \$250,000 in AHATCs. This donation allowed the development partnership to fill the funding gap in the project without reducing profits or fees earned from the development or cutting costs. The partnership already was committed to complete the project without the additional funding. State law does not restrict such donations.

Project Costs Not Always Reasonable

Costs associated with projects eligible for AHATCs were not always necessary or reasonable or were not consistently handled. MHDC awarded \$347,280 in AHATCs for a donation to make \$598,368 in repairs to a LIHTC property. Project costs included \$25,000 in property management fees associated with the repair, and an \$8,051 fee paid to the not-for-profit organization to process the AHATC donation. The donor is a related party

to the LIHTC development and to the property management company operating the development. The property management company already receives funding from development revenues to manage the property; therefore, using AHATCs to pay additional management fees should not be necessary. MDHC staff said the project caused increased costs for the management company. In addition, we did not see fees paid to not-for-profit organizations as eligible project expenses on other similar cases. MHDC policy does not specify if such fees are an eligible project expense.

AHATCs Have Been Issued for Projects Not Completed

Our review of project records and discussions with MHDC staff identified on at least two occasions (one in the mid 1990's and the other in 2006/2007) donors received AHATCs for projects not completed. MHDC staff approved the tax credits early in the project process with the donations being used for project planning purposes. Donated architectural services represented the majority of the AHATC contributions for the 2006/2007 project. A representative of the not-for-profit organization involved in the 2006/2007 project told us construction costs increased substantially during planning and the organization could not secure funding from MHDC or through other means to fill the funding gap, resulting in the project's failure. MHDC issued a total of \$157,144 (\$120,450 for the 2006/2007 project) in AHATCs for these two projects.

MHDC staff said the 2006/2007 failed project resulted from unforeseen circumstances. They said for projects where financing had not been sufficient for projects to continue, the not-for-profit organizations would generally refund donated cash or commodities to avoid the issuance of tax credits. In this case, the services had been rendered and could not be returned. The staff said no procedures had been established to limit not-for-profit organizations from receiving service donations until after project funding had been completed.

Economic Benefit Overstated

The economic impact being reported to the General Assembly regarding AHATCs is overstated. The economic impact of tax credit programs is reported annually to the legislature as part of the state budget process. The fiscal year 2009 analysis for the AHATC shows fiscal year 2007 activity will (1) return \$.12 in state revenue for every dollar of credit redeemed, (2) create \$162.4 million in new economic output, and (3) create approximately 2,272 new jobs. DED staff prepare the annual cost-benefit analysis for MHDC based on information and assumptions provided by MHDC staff. To calculate the economic benefit of the program, MHDC provides DED data on housing units produced, jobs created and resulting construction demand.

MHDC provided data to DED reporting 1,956 and 1,910 units of housing placed in service (produced) for 2006 and 2007, respectively. Data provided

to us by MHDC shows only 698 and 546 AHATC units, respectively, actually produced during those years. MHDC staff said the number of units reported may have been total overall units, which would include LIHTC units as well as AHATC units. In the information provided to DED, MHDC uses the number of units produced to calculate the estimated construction investment and number of jobs created by the AHATC. As a result, the economic impact analyses prepared for the LIHTC and AHATC have duplicated the economic benefit for a significant number of housing units. MHDC staff could not explain why the error occurred. They said the staff person that set up the process to summarize this data was no longer with MHDC.

Even if MHDC staff reported the correct number of AHATC units in the economic benefit analysis, the analysis will likely overstate results. Based on our review of project files, the AHATC is not typically used to actually construct low income housing units without being combined with the LIHTC. When not used in conjunction with other funds, AHATC funds are typically used to rehabilitate existing units and not to construct new units. In addition, during fiscal years 2006 and 2007, 28 percent of AHATCs issued for housing production went towards the purchase of existing affordable housing units, with no actual construction taking place. As previously shown, Table 1.2 provides detail of the distribution of AHATCs.

Tax Credit Not Available to All Taxpayers

State law excludes most individual taxpayers from participation in the AHATC Program. Missouri law allows contributions by business firms which are defined as a person, firm, a partner in a firm, corporation or a shareholder in an S corporation doing business in the state. Based on the law, MHDC officials limit donations to businesses, or individuals with farm or rental income. Four of the five other states with donation related housing tax credits allow any individual along with businesses to make contributions.

Flexibility in Credit Allocation Could Benefit the Program

State law limits annual credit issuances to \$10 million for housing production and \$1 million to help cover not-for-profit organization administrative costs.¹⁰ MHDC staff said the credits for administrative costs are generally completely issued with requests for funding often being prorated due to demand exceeding the \$1 million limit. They also said the allocated production credits may not be issued if not-for-profit organizations cannot raise the necessary donations. MHDC records showed the maximum limit of credits issued for housing production had only occurred in one fiscal

¹⁰ Administrative credits are applied for through a separate application process and are not associated with credits issued for housing production.

year since the inception of the tax credit. MHDC officials said an adjustment in state law allowing them to distribute a portion of the credits restricted to housing production for administrative purposes, when all production credits would not have been issued, could benefit the program and participating not-for-profit organizations.

Conclusions

The value of donated property and services must be verified to ensure credits are not being issued unnecessarily. The value of services can be difficult to determine, and as a result, could be inflated by a donor. MHDC staff needs to ensure procedures are in place to verify the value of donated property and services and ensure the services provided are necessary and reasonable to the project.

AHATCS are frequently used in conjunction with the LIHTC Program. While the AHATC can be used in this manner to help find private funds to supplement LIHTC developments, allowing parties related to an existing LIHTC development to use the credit to fill funding gaps provides little additional benefit to the state. The developer or other related party is already committed to the development's completion for a project already receiving significant state support.

Costs associated with projects eligible for AHATCs need to be necessary or reasonable and consistently handled. Property management fees are not necessary if the manager is already responsible for the property and is being compensated. MHDC does not have a policy stating whether not-for-profit administrative fees are allowable project costs.

Tax credits have been issued on limited occasions for donations related to projects not completed because services have been rendered which cannot be refunded or returned. By ensuring funding is in place for projects prior to not-for-profit organizations accepting donated services, MHDC could limit this situation from occurring.

The economic benefits being attributed to the AHATC are significantly overstated. While the AHATC is primarily designed to create indirect social benefits, without an accurate assessment of the economic benefits and costs of the program, it is difficult for the General Assembly and policymakers to adequately assess the program.

Missouri law does not allow individuals without farm or rental income to participate in the AHATC. Allowing donations from any individual would broaden the pool of potential donors and encourage additional donations for affordable housing projects.

Changing existing law to provide MHDC some flexibility in increasing tax credits distributed for administrative purposes, when production related credits cannot be fully issued (either a dollar limit or percentage of production credits not issued), could enhance the program and benefit participating not-for-profit organizations.

Recommendations

We recommend MHDC:

- 2.1 Establish procedures requiring the MHDC staff appraiser review appraisals for donated real property and buildings for reasonableness. If considered necessary, second appraisals or revised appraisals should be obtained on properties.
- 2.2 Establish procedures to ensure donated services are properly valued. Improve the current donation certification by including a statement:
 - Where the donor affirms the value of the services donated does not exceed the amount the donor charges for similar services to the general public in the ordinary course of the donor's business.
 - Notifying the donor that false or misleading statements or other information provided in claiming tax credits may result in penalties.
- 2.3 Establish procedures to ensure costs included in the allowable donation basis are reasonable and necessary to the project.
- 2.4 Establish policy regarding the inclusion of fees paid to not-for-profit organizations in the allowable donation basis.
- 2.5 Ensure projects, especially those receiving other state assistance, have sufficient funding to proceed prior to allowing organizations to accept donated services that will be compensated with AHATCs.
- 2.6 Provide a more accurate cost-benefit analysis to the General Assembly as part of the state budget process.
- 2.7 Work with the General Assembly, as necessary, on recommendations 2.8 to 2.10.

We recommend the General Assembly:

- 2.8 Evaluate if the intent of the program is to allow developers and related organizations to fill project funding gaps by donating to their own

projects that have received or are receiving assistance from other state programs.

- 2.9 Change state law to allow issuance of AHATCs for donations from any taxpayer rather than just those with farm or rental income.
- 2.10 Evaluate modifying state law to give MHDC the ability to increase tax credits distributed for administrative purposes, when production related credits cannot be fully issued. Possible options would include a specific dollar limit or percentage of production credits not issued.

Agency Comments

The following response is provided by the staff members of the Missouri Housing Development Commission and is not the response of the MHDC board of commissioners.

- 2.1 *MHDC staff shall implement the procedure of including the review of appraisals for donated property by our staff appraiser for compliance with professional standards. We shall continue to require that the appraisal be prepared by an independent licensed third-party appraiser unaffiliated with either the seller or the purchaser and dated within six months of the sales transaction. Should an appraisal be suspect in its approach, MHDC reserves the right to order or require the applicant to order a second appraisal.*
- 2.2 *MHDC staff shall prepare and implement a form of certification requiring an entity or individual donating services to affirm the value of the services stated in the documentation provided for the allocation of the tax credit does not exceed the amount charged for similar services to the general public in the normal course of business. A notification to the donor that false or misleading information provided in the allocation process will be added to the Tax Credit Certification form to supplement the notification already provided in the Affordable Housing Assistance Program (AHAP) program guide.*
- 2.3 *Staff believes its current procedures are adequate to analyze the costs presented in the application budget and cost certification and include the ability to request further information from the agency in order to determine the reasonableness and eligibility of costs being paid by the donation.*
- 2.4 *Staff shall establish a policy concerning the use of donated funds to pay fees to the non-profit applicant and publish it in the fiscal year 2009 program guide.*

-
- 2.5 *Staff believes that having only two developments in seventeen years (0.01%) unable to proceed is a good track record and is not sufficient reason to remove AHAP as a source of seed money for non-profit developers. This type of funding is critical to the predevelopment process and otherwise often out of reach for a non-profit agency with limited resources.*
- 2.6 *Staff is establishing a methodology for determining cost-benefits and will collaborate with the Missouri Economic Research and Information Center to provide a refined report of investment and jobs generated as well as affordable housing units and beds produced as a result of the allocation of AHAP tax credits. We shall also address the social benefits achieved by the credit in order to give a more complete picture of the credit and its contribution to the state of Missouri and its citizens.*
- 2.7 *Staff is eager to participate with the legislature in discussion and action concerning potential improvements to the AHAP tax credit program.*
- 2.8 *Developments with funding gaps are generally complex transactions or are facing unusual costs with limited options available for additional financing. Without AHAP tax credits available to attract donations to cover the shortfall, critical affordable housing projects may not be feasible and therefore face the real danger of failing. A donation by a party related to the transaction is an additional investment by that party which in our experience neither over-subsidizes the property nor enriches the donor.*
- 2.9 *Increasing the pool of eligible donors will attract more donations and generate further production of affordable housing and related activities.*
- 2.10 *Staff welcomes the potential flexibility to distribute unreserved production-related credits for donations related to either operating assistance or production as needed.*

Affordable Housing Assistance Tax Credit Activity

Table I.1 lists the AHATC contributions and tax credits issued and redeemed through June 30, 2007.

Table I.1: Contributions, Tax Credits Issued and Redeemed - Fiscal Year 1991 to 2007

Fiscal Year	Contributions	Tax Credits Issued	Tax Credits Redeemed
1991	\$557,300	\$306,515	- ²
1992	2,360,885	1,298,487	- ²
1993	54,849	30,167	- ²
1994	5,103,322	2,806,827	\$238,004
1995	3,996,658	2,198,162	1,549,417
1996	6,383,213	3,510,767	2,195,048
1997	9,757,180	5,366,449	1,950,318
1998	7,352,247	4,043,736	3,621,949
1999	20,000,000	11,000,000	2,049,381
2000	19,954,380	10,974,909	3,588,553
2001	15,210,184	8,365,601	10,949,160
2002 ¹	4,643,007	2,553,654	8,912,821
2003	16,528,247	9,090,536	7,601,144
2004	18,055,193	9,930,356	7,554,503
2005	19,060,238	10,483,131	7,702,860
2006	19,384,802	10,661,641	4,080,564
2007	17,547,415	9,651,078	10,497,793
Totals	\$185,949,120	\$102,272,016	\$72,491,515

¹ The state had MHDC limit credit issuances in fiscal year 2002 due to state budget concerns.

² No information could be obtained on credits redeemed in fiscal years 1991 to 1993.

Source: MHDC, DED, and DOR data

Affordable Housing Units Produced

Table II.1 lists the AHATC housing units produced from fiscal year 1991 to 2007.

**Table II.1: AHATC Units Produced
Fiscal Year 1991 to 2007**

Fiscal Year	AHATC Units Produced
1991	20
1992	137
1993	124
1994	178
1995	133
1996	478
1997	587
1998	187
1999	1,250
2000	777
2001	620
2002	289
2003	702
2004	512
2005	657
2006	698
2007	546
Total	7,895

Source: MHDC data

Tax Credit Review Status

Table III.1 shows the statewide tax credit programs and the State Auditor's office review status of each program.

Table III.1: Tax Credit Programs and Review Status

Program	Administering Department	Report Number for Review
Affordable Housing Assistance	Economic Development	2008-47
Missouri Low Income Housing	Economic Development	2008-23
Wood Energy	Natural Resources	2007-58
New Generation Cooperative Incentive	Agriculture	2007-06
Agricultural Product Utilization Contributor	Agriculture	2007-05
Community Development Corporation/Bank	Economic Development	2005-55
(Capital) Small Business Investment	Economic Development	2005-54
Certified Capital Companies (CapCo)	Economic Development	2004-56
New Enterprise Creation	Economic Development	2004-56
Adoption (Special Needs)	Revenue	2004-13
Community College New Jobs Training Bonds	Economic Development	2003-32
Brownfield Jobs/Investment	Economic Development	2002-33
Brownfield Remediation	Economic Development	2002-33
Historic Preservation	Economic Development	2002-33
Qualified Research Expense	Economic Development	2002-33
Seed Capital	Economic Development	2002-33
Youth Opportunities and Violence Prevention	Economic Development	2002-33
Film Production	Economic Development	2001-13
Rebuilding Communities	Economic Development	2001-13
Small Business Incubator	Economic Development	2001-13
Winery and Grape Growers	Economic Development	2001-13
Bank Franchise	Revenue	To Be Reviewed
Bank Tax Credit for S Corporation Shareholders	Revenue	To Be Reviewed
Brownfield Demolition	Economic Development	To Be Reviewed
BUILD Missouri Bonds	Economic Development	To Be Reviewed
Business Facility	Economic Development	To Be Reviewed
Cellulose Casings	Revenue	To Be Reviewed
Charcoal Producers	Natural Resources	To Be Reviewed
Children in Crisis	Revenue	To Be Reviewed
Development	Economic Development	To Be Reviewed
Disabled Access	Revenue	To Be Reviewed
Domestic Violence	Social Services	To Be Reviewed
Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Enterprise Zone	Economic Development	To Be Reviewed
Examination Fees and Other Fees	DIFP ³	To Be Reviewed
Family Development Account	Economic Development	To Be Reviewed
Family Farm ¹	Agriculture	To Be Reviewed
Food Pantry Donation ²	Revenue	To Be Reviewed

Appendix III Tax Credit Review Status

Program	Administering Department	Report Number for Review
Guarantee Fee	Economic Development	To Be Reviewed
Homestead Preservation	Revenue	To Be Reviewed
Life and Health Guarantee Association	DIFP ³	To Be Reviewed
Maternity Home	Social Services	To Be Reviewed
MDFB Development and Reserve	Economic Development	To Be Reviewed
MDFB Export Finance	Economic Development	To Be Reviewed
MDFB Bond Guarantee Credit	Economic Development	To Be Reviewed
MDFB Infrastructure Development	Economic Development	To Be Reviewed
Missouri Health Care Access Fund ²	Revenue	To Be Reviewed
Missouri Health Insurance Pool	DIFP ³	To Be Reviewed
Missouri Property and Casualty Guarantee Association	DIFP ³	To Be Reviewed
Missouri Quality Jobs	Economic Development	To Be Reviewed
Neighborhood Assistance	Economic Development	To Be Reviewed
Neighborhood Preservation	Economic Development	To Be Reviewed
New Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Pharmaceutical	Revenue	To Be Reviewed
Pregnancy Resource Center ¹	Social Services	To Be Reviewed
Property Tax	Revenue	To Be Reviewed
Qualified Equity Investment ²	Economic Development	To Be Reviewed
Residential Treatment Agency ¹	Social Services	To Be Reviewed
Retain Jobs	Revenue	To Be Reviewed
Self-employed Health Insurance ²	Revenue	To Be Reviewed
Shared Care	Health and Senior Services	To Be Reviewed
Sponsorship and Mentoring Program	Elementary and Secondary Education	To Be Reviewed
Transportation Development	Economic Development	To Be Reviewed

¹ New tax credit in fiscal year 2007. No activity reported on Appendix IV.

² New tax credit in fiscal year 2008.

³ Department of Insurance, Financial Institutions, and Professional Registration.

Source: SAO

Tax Credit Redemptions

Table IV.1 shows the redeemed tax credits for fiscal years 2004 through 2007 for all state tax credit programs. We did not audit the information.

Table IV.1: Tax Credit Redemptions by Program

Program	Fiscal Year			
	2004	2005	2006	2007
Adoption (Special Needs)	\$1,995,882	2,582,546	2,460,245	2,931,967
Affordable Housing Assistance	7,554,503	7,702,860	4,080,564	10,497,793
Agricultural Product Utilization Contributor	1,964,872	1,639,541	1,857,235	2,248,989
Bank Franchise	1,596,458	2,543,523	2,413,631	1,771,165
Bank Tax Credit for S Corporation Shareholders	1,233,830	941,460	1,451,903	1,248,932
Brownfield Jobs/Investment	2,134,891	1,726,687	1,476,143	1,701,409
Brownfield Remediation/Demolition	16,101,975	10,627,870	10,611,324	16,733,274
BUILD Missouri Bonds	9,667,000	3,770,557	5,402,416	6,958,318
Business Facility	7,826,417	4,546,330	5,892,727	6,066,136
Cellulose Casings	429,480	382,540	341,315	574,180
Certified Capital Companies	13,564,932	13,371,610	13,164,904	13,121,442
Charcoal Producers	0	384,609	70,151	180,987
Children in Crisis	n/a	n/a	n/a	168,128
Community Development Corporation/Bank	1,632,669	2,021,628	34,870	2,958
Community College New Jobs Training Bonds	8,061,584	6,847,304	5,771,777	4,920,374
Development	562,622	2,487,152	4,518,483	2,100,685
Disabled Access	87,401	56,761	36,549	11,813
Domestic Violence	475,283	515,035	525,348	696,670
Dry Fire Hydrant	13,169	17,228	805	3,737
Enhanced Enterprise Zone	n/a	9,809,254	5,922,720	6,646,873
Enterprise Zone	19,766,366	15,485,501	14,759,891	13,202,069
Examination Fees and Other Fees ¹	5,844,206 ²	4,962,341 ²	5,413,885	4,881,750
Family Development Account	27,488	12,875	9,237	11,761
Film Production	423,857	322,079	788,596	1,240,972
Guarantee Fee	0	11,224	73,009	68,607
Historic Preservation	66,089,980	74,532,355	103,134,226	132,841,728
Homestead Preservation	n/a	n/a	n/a	2,932,514
Life and Health Guarantee Association ¹	177,712	302,516	4,910	0
Maternity Home	982,747	743,636	760,674	983,509
MDFB Bond Guarantee Credit	0	594,034	0	276,241
MDFB Development and Reserve	0	1,500	0	500
MDFB Export Finance	0	0	0	0
MDFB Infrastructure Development	10,020,578	25,953,799	21,858,725	24,706,809
Missouri Business Modernization and Technology (Seed Capital)	288,174	164,894	60,313	82,977

Appendix IV Tax Credit Redemptions

Program	Fiscal Year			
	2004	2005	2006	2007
Missouri Health Insurance Pool ¹	3,687,665	3,688,639	5,497,999	3,672,701
Missouri Low Income Housing	36,916,831	65,392,601	61,963,799	81,646,784
Missouri Property and Casualty Guarantee Association ¹	16,823,462	16,959,512	6,019,763	5,754,394
Missouri Quality Jobs	n/a	n/a	0	1,715,530
Neighborhood Assistance	10,217,628	9,286,880	10,009,497	13,924,340
Neighborhood Preservation	4,001,293	8,461,503	4,627,368	5,549,062
New Enterprise Creation	3,259,307	2,504,561	1,534,647	1,048,997
New Enhanced Enterprise Zone	n/a	n/a	n/a	5,188
New Generation Cooperative Incentive	3,466,068	3,334,935	4,990,666	4,136,380
Pharmaceutical	524,527	142,373	1,672	n/a ³
Property Tax	95,237,314	99,455,570	96,090,703	93,118,747
Qualified Research Expense	2,038,230	1,626,864	1,006,688	487,320
Rebuilding Communities	1,415,889	1,694,006	1,764,167	1,390,803
Retain Jobs	n/a	0	2,882,995	4,285,366
Shared Care	39,109	33,574	39,247	105,757
Small Business Incubator	167,360	246,807	322,278	179,368
Small Business Investment (Capital)	49,478	109,050	58,189	66,720
Sponsorship and Mentoring Program	0	0	0	0
Transportation Development	3,678,532	3,545,219	980,806	910,421
Winery and Grape Growers	260,397	179,323	69,564	174,736
Wood Energy	1,205,443	3,700,285	3,728,100	2,709,211
Youth Opportunities and Violence Prevention	3,272,225	3,211,185	3,256,950	4,893,591
Totals	\$364,784,834	418,634,136	417,741,674	485,590,683

¹ Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.

² Until the fiscal year 2007 budget process the amount reported by the DIFP for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed.

³ The Pharmaceutical tax credit expired in 2001 and tax credits are no longer being redeemed.

Source: Office of Administration, DOR, and tax credit administering agencies



Susan Montee, CPA
Missouri State Auditor

City of Lebanon



July 2008

Report No. 2008-46

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

The following findings were included in our audit report on the City of Lebanon, Missouri.

Several concerns related to two economic development building projects were noted. A member of the city council voted to hire a firm to provide architectural and management services for one building project with apparent knowledge that he would work for this firm on the construction project. In addition to serving as project manager, a construction company owned by the councilman was paid to perform some of the work on both building projects. As project manager the councilman was responsible for approving the work being done by his construction company on one building project, and he also approved additional construction costs of \$250,000 to meet the specific needs of the manufacturing company. Of this amount, the councilman's construction company was paid \$180,341. There was no bidding performed for these additional improvements. Some of these matters may present potential violations of state law.

Bids were not solicited for some amounts paid to other contractors related to these projects and bidding was not handled by the architectural and construction management firm in accordance with the city's bid policy.

It appears the city may be circumventing prevailing wage laws. The city often enters into supplier contracts for various construction projects and the contractor's employees become temporary city employees. Some temporary employees work very few hours while others may work for most of the year. City personnel indicated the city uses supplier contracts in an effort to save the city money resulting from lower wages paid to employees and lower overhead costs of the contractor. In addition, temporary city workers do not receive the same benefits as full-time classified city employees such as health insurance or paid holiday leave. State law requires prevailing wage to be paid to all workers employed by contractors, who perform construction work on public projects other than routine maintenance.

Utility customers may be paying too much for some utility services as a result of subsidizing the promotion of economic development and general city expenses through the payment of their utility bills. The city has transferred substantial amounts from various funds to the Administrative and Economic Development Funds without proper documentation or justification. City officials indicated the transfers are based upon the benefit provided to those funds; however, the city had no documentation to support these allocations. Approximately one percent of customer billings for electric, water and wastewater are transferred to the Economic Development Fund to promote economic development activities. The city has not established an ordinance approving or justifying these transfers.

(over)

YELLOW SHEET

Over \$6.6 million was due to the Electric Fund at October 31, 2007, from the Economic Development and Airport Funds as the result of three interfund loans to cover two building projects for economic development purposes and for the building of an airport hanger. Loan repayments are funded by amounts received from building leases, and based upon current lease agreements, one loan will not be completely repaid until 2026. The city's budget and financial statement do not reflect the amounts owed to the Electric Fund for these loans. In addition, interfund borrowing is not appropriate as a long-term funding mechanism.

The city has not complied with its purchasing policy. There are purchases noted for which bids were not solicited or not documented. Several expenditures in excess of \$10,000 were noted for which bids were solicited through various means; however, the bids were not advertised in the local newspaper. In addition, several instances were noted where the city did not obtain verbal quotations for purchases between \$100 and \$3,000.

Controls and procedures over city expenditures are in need of improvement. We identified Christmas bonuses paid to employees, unnecessary expenditures, and some payments to not-for-profit organizations that were not supported by a written agreement. In addition, the city does not have a formal food or credit card policy and has not evaluated the cost and distribution of cellular phones.

Also included in the audit report are recommendations related to professional services and city contracts, civic center and parks procedures and controls over monies, vehicle usage, payroll policies and procedures, accounting controls and other city procedures, financial reporting and planning, council minutes, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF LEBANON

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Lebanon, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Lebanon. The city engaged Officer CPA Firm, LLC to audit the city's financial statements for the year ended October 31, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended October 31, 2006, audit, since the year ended October 31, 2007, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Lebanon.

An additional report, No. 2008-27, *Twenty-Sixth Judicial Circuit, City of Lebanon Municipal Division*, was issued in May 2008.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF LEBANON
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Building Projects

A significant amount of city funds have been used toward economic development building projects and improvements are needed with the handling of these projects.

The city agreed to build a 210,000 square foot warehouse facility in July 2005 for a private manufacturing corporation, to be leased by the manufacturer for ten years. The city spent approximately \$5.4 million to construct the warehouse facility. Monies from the Electric Fund were loaned to the Economic Development Fund and were then used to construct the building (see Management Advisory Report (MAR) 3C). The manufacturer also leases a smaller warehouse from the city that was connected to the larger warehouse as part of the construction project.

In November 2005, the city began a second economic development building project to construct a 25,000 square foot facility in the industrial park costing approximately \$1.6 million. The city entered into a five-year lease with another local manufacturer for this building and Electric Fund monies were again used to fund this project. A review of these two projects noted the following concerns:

- A. A member of the city council voted to hire a firm in July 2005 to provide architectural and construction management services for the first building project with apparent knowledge that he would work for this firm on the construction project. The city's contract with the firm indicated the councilman would perform duties on the project and the councilman did not abstain from voting on the contract. The councilman served as a project manager for the construction project. In November 2005, when the first building project was nearing completion, the councilman voted to hire this firm again to provide architectural and construction management services for the second building project. The councilman's son served as the project manager on the second building project. The city did not solicit proposals for architectural and construction management services (See MAR 6). This firm was paid a total of approximately \$416,000 during the three years ended October 31, 2007.

In addition to serving as project manager, a construction company owned by the councilman was paid to perform some of the work on both building projects.

On the first building project, the councilman's construction company was awarded the bid and was paid \$359,582 to build a connector tunnel and office space. However, as project manager the councilman was responsible for approving the work being done by his construction company. This function is normally

performed by an architect or engineer who is independent of the construction process. Also, as project manager the councilman approved additional construction costs of \$250,000 to meet the specific needs of the manufacturing company. Of this amount, the councilman's construction company was paid \$180,341. There was no bidding performed for these additional improvements.

On the second building project, the councilman's construction company was awarded the bid and was paid \$328,634 to construct the interior offices of the building. In this instance, the councilman's son approved the work done by his father's firm. In addition, the councilman's construction company was paid \$11,652 for general construction expenses, but there was no bidding performed or contract available to support these additional payments.

Further, on the second building project, the councilman's construction company and employees were paid for concrete work on the building. The architect prepared the bid specifications for the concrete work; however, this contract was not awarded similar to the other construction contracts for this project. The city handled this work by using a supplier contract (see MAR 2). The bid specifications prepared by the architect indicated prevailing wages were to be paid on the project. However, after a pre-bid meeting was held, the architect prepared an addendum to the specifications indicating prevailing wages did not apply to this job. The councilman's construction employees became temporary city workers and prevailing wages were not paid to the employees. Of \$158,784 paid by the city for concrete work, \$71,862 was paid to the councilman's construction company, \$72,713 was paid for materials, and \$14,209 was paid to the councilman's construction employees who became temporary city workers. Further, the city did not advertise for bids for the concrete work (see MAR 4). City personnel indicated they solicited bids from local vendors that were familiar with using the city's supplier contracts.

Additionally, bids were not solicited for some amounts paid to other contractors related to these projects and bidding was not handled by the architectural and construction management firm in accordance with the city's bid policy. For example, bidding was not performed for plumbing work totaling \$16,264. Also, city policy requires advertising for expenditures greater than \$10,000 for three consecutive days in the local newspaper (see MAR 4); however, the advertisements for the various phases of construction related to this project were in the local newspaper for only one day. Both economic development projects were handled using the fast track approach. With this approach, components of construction were started before all contracts on the project were finalized.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, council members should not participate in decisions that may affect related parties.

Some of these matters also present potential violations of state law. Section 105.454, RSMo, prohibits financial transactions between a city and an officer (or spouse, dependent child, or business and corporate interest of the officer or employee) of the city that involved more than \$5,000 per year or \$500 per transaction unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for compensation other than the compensation provided for the performance of his official duties unless the transaction is made pursuant to an award on a contract let after public notice and competitive bidding, provided that the bid or offer accepted is the lowest received.

- B. Prevailing wage rates were not monitored by the city. The architectural and construction management firm hired several contractors on the city's behalf to perform most of the construction work on the two building projects. The city did not require contractors to provide supporting documentation of wages paid to ensure compliance with prevailing wage laws. For example, five contractors were paid a total of approximately \$1.1 million on the second building project and the city did not review payroll records to ensure compliance with prevailing wage laws.

Section 290.230, RSMo, requires prevailing wage to be paid to all workers employed by or on behalf of any public body, who performs construction work projects other than routine maintenance. Without detailed supporting documentation, the city cannot ensure compliance with state law.

WE RECOMMEND the City Council:

- A. Closely examine city transactions to identify and avoid apparent and actual conflicts of interests. City officials that have a conflict should fully disclose their interests and should not vote on matters which involve them personally. In addition, the city should implement the various recommendations throughout this report to help them improve the management of city operations.
- B. Ensure adequate supporting documentation is submitted to substantiate prevailing wages are paid on all construction projects as required by law.

AUDITEE'S RESPONSE

- A. *The City acknowledges the findings and recommendation of the auditor and agrees to examine its professional services procurement policies and will strive to comply to the greatest extent practical with Qualification Based Selection best practices. The City's contracting and procurement policies are being reviewed (per Mayor's Guidance Statement 11) and will be amended to correlate with the desired business practice of the City Council and in conformance with state law. Further, the City will periodically*

educate management, council members and advisory boards of the need to fully disclose conflicts of interest and to abstain from the decision-making process regarding the same.

The City acknowledges the question regarding the use of supplier contracts and the prevailing wage. An addendum was prepared and acknowledged waiving the prevailing wage component of the contract.

- B. *The City acknowledges the findings and recommendation of the auditor and is in the process of reviewing its organization and will establish procedures and personnel to properly coordinate contract(s) administration by October 2008.*

2. Prevailing Wages

It appears the city may be circumventing prevailing wage laws. The city often enters into supplier contracts for various construction projects. As part of these supplier contracts, the cost of labor, materials, and 23 percent of related insurance costs are deducted from the contract amount and the contractor's employees become temporary city employees.

Some temporary employees work very few hours while others may work for most of the year. For example, when the city constructed the public works facility in 2005, approximately 36 temporary workers from 10 contractors were added to the city's payroll for this project. One worker who installed carpeting on the project worked only 12 hours for the city. In addition, the city routinely enters into supplier contracts for various street projects, sidewalk projects, and curb and guttering projects. One of the temporary employees on a street project worked 1,701 hours during calendar year 2006. In addition, supplier contracts were also noted for other projects such as renovations to the bath house at Boswell Pool.

City personnel indicated temporary workers go through the same hiring process as other city employees. For example, they must complete an employment application, take a drug test, receive a copy of the personnel manual, and watch a safety video.

City personnel indicated the city uses supplier contracts in an effort to save the city money resulting from lower wages paid to employees and lower overhead costs of the contractor. In addition, temporary city workers do not receive the same benefits as full-time classified city employees such as health insurance or paid holiday leave.

City personnel also indicated the Department of Labor and Industrial Relations (DOLIR) has investigated complaints related to prevailing wages on several city construction projects. The city provided a letter from DOLIR dated May 15, 2001, which indicated the city should consider workers compensation and unemployment insurance implications; however, the letter did not address the legality of the city's practices.

Section 290.230, RSMo, requires prevailing wage to be paid to all workers employed by contractors, who perform construction work on public projects other than routine maintenance.

While the practice of hiring contractors' employees as temporary city employees may reduce the cost of construction projects, it appears the city may be circumventing prevailing wage laws. To ensure the city is operating within state law, the City Council should reevaluate this practice and consult legal counsel.

WE RECOMMEND the City Council consult legal counsel to determine the city's compliance with prevailing wage laws and reevaluate the practice of hiring contractors' employees as temporary city employees.

AUDITEE'S RESPONSE

The City acknowledges the findings and recommendation of the auditor and will consult with legal counsel and take appropriate measures as determined necessary to comply with all federal and state law requirements.

3. Utility Rates, Fund Transfers, and Interfund Loans

Utility rates charged to customers may not be set at a level consistent with the costs of providing the related services, the city has made several transfers without proper justification or documentation, and over \$6.6 million owed to the Electric Fund for three long-term interfund loans was not reflected in the city's financial statements.

The city of Lebanon operates various city-owned utility operations to provide utility services to its citizens. These operations include electric, water, sewer, and fiber optic services. The operations of each activity are accounted for in separate funds. The city's audited financial statements reflected the following combined operating and nonoperating revenues, expenditures, net transfers, and ending fund balances of these funds for the year ended October 31, 2007:

	Fund		
	Electric*	Water	Sewer**
Revenues	\$ 17,434,034	1,677,419	2,307,550
Expenditures	15,871,572	1,185,949	3,587,154
Net Transfers	(39,059)	(710,492)	1,117,386
Ending Balance	\$ 10,836,081	39,296	146,398

* Includes Fiber Optic

**Includes Wastewater

The ending fund balance of the Electric Fund at October 31, 2007, is exclusive of amounts due from other funds (See Part C below). Our review of the records and activities of the funds disclosed the following concerns:

- A. Utility rates charged to customers may not be set at a level consistent with the costs of providing the related services. Utility customers may be paying too much for some utility services as a result of subsidizing the promotion of economic development and general city expenses through the payment of their utility bills. The following table shows income (loss) before transfers for the last several years:

Fund	Year ended October 31,				
	2007	2006	2005	2004	2003
Electric	\$ 1,562,462	2,525,684	2,207,205	1,773,616	2,439,498
Water	491,470	672,078	834,360	850,345	882,120
Sewer	(1,279,604)	(1,761,427)	(496,691)	(278,275)	(59,888)

As the table indicates, the Electric and Water Funds continue to have significant operating income each year. Electric rates have remained unchanged since 1992 and water rates have not been increased since 2000. The Public Works Director performed an evaluation of utility rates in April 2006 and the council approved a sewer rate increase. The January 28, 2008, city council minutes briefly refer to anticipated rate increases because of increases in the cost of purchasing electricity.

While the city has internally reviewed and adjusted sewer rates, it is essential that the city perform a periodic comprehensive review of all rates to ensure they are set at a level consistent with the costs of providing each specific utility service.

- B. The city has transferred substantial amounts from various funds to the Administrative and Economic Development Funds without proper documentation or justification.
- The city makes monthly transfers from several funds to the Administrative Fund to cover administrative expenditures incurred. Transfers to the Administrative Fund totaled approximately \$2.39 million during the year ended October 31, 2007. Transfers were made from the Electric Fund (\$1,015,000), General Fund (\$680,000), Street Fund (\$225,000), Water Fund (\$220,000), Wastewater Fund (\$220,000), and Fiber Optic Fund (\$26,000). City officials indicated the transfers are based upon the benefit provided to those funds; however, the city had no documentation to support these allocations.
 - Approximately one percent of customer billings for electric, water and wastewater are transferred to the Economic Development Fund to promote economic development activities. Transfers totaling \$191,500 were made

to the Economic Development Fund from the Electric, Water, and Wastewater Operating Funds during the year ended October 31, 2007. The city has not established an ordinance approving or justifying these transfers.

The city needs to properly allocate expenses to the various funds to establish appropriate user fees for its utilities. The city should ensure expenditures are allocated to the various funds in proportion to the benefits received from the expenditures. Documentation should be retained to support the percentages used for allocating expenditures. Furthermore, the use of certain revenues, such as state motor vehicle revenues or transportation sales taxes, is limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

Utility revenues should only be used to fund the operations of the related utility services. Rates for utility services should be set to cover the costs of producing and delivering services (including administrative costs), repaying debt, if applicable, and repairing and replacing infrastructure. These utility services should not generate profits to fund other services provided by the city or other utility departments.

- C. Over \$6.6 million was due to the Electric Fund at October 31, 2007, from the Economic Development and Airport Funds as the result of three interfund loans. These loans were made in July and November 2005 to cover two building projects for economic development purposes and in October 2005 for the building of an airport hanger. Loan repayments are funded by amounts received from building leases, and as a result, these loans will not be repaid for several years. Based upon current lease agreements, one loan will not be completely repaid until 2026. The city's budget and financial statement do not reflect the amounts owed to the Electric Fund for these loans.

Interfund borrowing is not appropriate as a long-term funding mechanism. In addition, without proper presentation of the amounts due, the city's budget and financial statement do not accurately reflect the true financial position of these funds.

WE RECOMMEND the City Council:

- A. Ensure utility rates are set to generate revenues as necessary to produce and deliver the related service.
- B. Develop a methodology for determining the amount of transfers, retain adequate documentation to support the calculation of the transfers, and establish ordinances authorizing the transfers.

- C. Discontinue the practice of making long-term interfund loans and ensure all loans are properly presented on the city's financial statement.

AUDITEE'S RESPONSE

- A. *The City does concur and agree that a comprehensive study of each of the utilities should be done periodically to ensure the rates are consistent with operational costs of each service and such study presented before the Council and public. We are currently studying the electric rates and plan to initiate a water study by October 2008.*
- B. *The City acknowledges the findings and recommendation of the auditor and will perform a comprehensive evaluation of the Administrative Fund and reallocate the distribution of costs as determined necessary from the study. The Council will adopt policies and procedures that document the administration funding process and will establish ordinances authorizing the transfers. This will be completed by November 1, 2008, and will be incorporated in the fiscal year 2010 budget process. October 31, 2008, is the last day for the 2009 budget and if we are adopting this in November, it is too late to incorporate for the fiscal year 2009 budget.*
- C. *The City acknowledges the findings and recommendation of the auditor; however, the City understands that there is no statutory regulation that prohibits long term interfund loans. The City understands and agrees with the auditor's concerns of long term loans considered in the light of best management practices. The City will study and adopt a policy regarding the use of interfund loans including establishment of perhaps reserve minimums to prevent risk overexposure.*

The City does maintain documentation on the interfund loans and has demonstrated a history of budgeted repayment; however, the City agrees that all interfund loans should be reflected in the financial statements. This will be reflected in the financial statements in July 2008.

4. Bidding

The city has not complied with its purchasing policy. Bids were not solicited for some purchases and some bids were not advertised as required.

The city's bidding policy requires a minimum of three verbal quotations for purchases between \$100 and \$3,000, three written quotations for all purchases between \$3,000 and \$10,000, and newspaper publication for three consecutive days for all purchases exceeding \$10,000.

- A. The following purchases were noted for which bids were not solicited or not documented:

Asphalt - total fiscal year 2007	\$ 909,544
Chat - total fiscal year 2007	482,620
Various property and miscellaneous insurance	383,674
Phone system for city hall	24,761
Cell phone service for police and fire	15,259
Envelopes	5,029

In addition, the city has not established procedures to bid re-occurring purchases, such as asphalt and chat, on an annual basis.

- B. Several expenditures in excess of \$10,000 were noted for which bids were solicited through various means; however, the bids were not advertised in the local newspaper. Examples include the Elm Street Project (\$362,905 for Phase 1), well drilling (\$246,558), concrete (\$170,617), sewer pumping system (\$55,000), an arborist machine (\$49,519), a used sport utility vehicle for the civic center (\$20,400), a used sport utility vehicle for the police department (\$17,400) and ammunition (totaling approximately \$36,800 during the two years ended October 31, 2007).

In addition, there was no documentation to support the decision to purchase the used sport utility vehicles. City personnel indicated the cost to purchase a vehicle on state contract was reviewed and then the purchases of these vehicles were negotiated with a local vendor. The city had documentation of the state contracts for various trucks and sport utility vehicles. It was not clear whether the lowest priced vehicles were selected and there was no analysis of the decision to purchase the used sport utility vehicles such as consideration of price, mileage, features, etc.

The ammunition was purchased at a local business which is owned by the municipal judge and the Mayor's son. The purchase order did not document price comparison and indicated this was a proprietary vendor; however, documentation of price comparisons was provided by city personnel. Based on the price comparison provided, the lowest bid was not selected and the reason for selecting the higher bid was not documented.

- C. Several instances were noted where the city did not obtain verbal quotations for purchases between \$100 and \$3,000. Also, bidding limits were circumvented by some employees who split purchases to the same merchant on the same day.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are

given equal opportunity to participate in the city's business. The city should ensure compliance with established procedures. In addition, written documentation of bids should be maintained to provide evidence that the city has complied with its purchasing policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

WE RECOMMEND the City Council ensure compliance with the city's purchasing policy and retain adequate documentation as evidence of compliance with the policy and to support justification of the bid awards.

AUDITEE'S RESPONSE

The City acknowledges the audit findings regarding the bidding and purchasing of materials and services. The City's contracting, services procurement, and general purchasing policies are being reviewed (per Mayor's Guidance Statement(s) 11) and will be amended to correlate with the desired business practice of the City Council and in conformance with state law. We expect to adopt a policy by October 2008 and have full implementation by start of fiscal year 2009.

5. Expenditures

Controls and procedures over city expenditures are in need of improvement. We identified Christmas bonuses paid to employees, unnecessary expenditures, and some payments to not-for-profit organizations that were not supported by a written agreement. The city lacks a comprehensive food policy and travel expense reports were not always prepared. The city does not have a formal policy on credit card usage and has not evaluated the cost and distribution of cellular phones. Finally, procedures have not been established to ensure revenues are spent for the intended purpose.

- A. The city paid Christmas bonuses totaling approximately \$20,600 (\$50 plus taxes per employee annually) to city employees during December 2007 and 2006.

These payments appear to represent additional compensation for services previously rendered in the form of bonuses and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

B. Some expenditures reviewed did not appear to be prudent and necessary uses of public funds. The following examples were noted:

- The city spent \$3,047, including \$1,244 for food and drinks and \$1,703 for stainless steel thermoses for employee gifts, for an employee Christmas party, in December 2007.
- The city purchased 13 pre-paid VISA cards totaling \$489 in December 2006 for an employee drawing at the annual Christmas party.
- The city provided food costing \$480 at a demonstration presented to the public by a local manufacturer.
- Flowers and/or plants totaling \$180 were purchased for condolences to employees and family members during the year ending October 31, 2007.
- The city paid \$250 to be a sponsor for the Lebanon Area Sports Hall of Fame banquet. The letter requesting support indicated the city would receive mention in the program and a reserved table with eight tickets.

Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner.

C. The city gave subsidies to several not-for-profit organizations and generally the specific services to be provided were defined through a written agreement. However, the city contributed \$2,500 to the Lebanon Chamber of Commerce from the Downtown Business District Fund during the year ended October 31, 2007, without entering into a written agreement and did not request or receive any documentation to show how the funds were spent.

In addition, the city paid the Lebanon Optimist Club \$2,500 during the year ended October 31, 2007, to promote Babe Ruth baseball and did not request or receive any documentation to show how the funds were spent.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement that clearly indicates the governmental purpose being provided by these entities, these uses could be considered to be a violation of the constitution. Written agreements are necessary to quantify the services to be performed and the compensation to be paid for the services, provide a means for the city to monitor compliance with the contract terms, and protect the city in the event of a dispute over the terms of the agreement. Also, Section 432.070, RSMo, requires all contracts to be in writing.

To ensure monies are spent for the intended purpose, the city should establish formal procedures to monitor the use of the monies given to not-for-profit organizations such as requiring detailed financial reports or invoices.

- D. The city has not established a comprehensive food policy or regulations regarding city provided food. Several meal expenses within the city limits of Lebanon were charged to the city's credit card. According to city personnel, these meals were for meetings among city employees or members of various boards. For example, \$1,459 was spent for food provided at Park Board lunches during the year ending October 31, 2007, including one meal at a local steakhouse totaling \$249. In addition, several other receipts reviewed for meals purchased at local restaurants did not include the business purpose or list the persons in attendance.

The city should develop comprehensive policies regarding food purchases and review the need for reimbursing local meal expenses. Guidelines should establish the situations in which local food purchases are acceptable and the required documentation. At a minimum, documentation should include the business purpose and a list of persons in attendance.

- E. We reviewed one credit card billing statement with travel expenses totaling \$322 for gas, meals and lodging; however, no expense report was prepared. City policy requires that all city credit cards and receipts, accompanied by a travel expense report, must be given to the City Clerk immediately following the employee's return to work. Without a detailed travel expense report, the city cannot determine the propriety of payments made for travel expenses.

- F. The city does not have a formal policy regarding credit card usage. The city has 4 bank credit cards and 54 credit cards from 5 local vendors used by various city employees and board members for purchases. While purchases charged to the bank credit cards were primarily for travel (meals, motel, car rental, and gasoline), charges for miscellaneous items and other supplies were also noted. In addition, some items charged did not always contain adequate supporting documentation and some items charged were not bid in accordance with the city's bidding policy. Disbursements to credit card companies totaled approximately \$94,400 during the year ended October 31, 2007.

A policy which establishes levels of purchase authorization, the types and maximum amounts of allowable purchases that may be charged, approval requirements for various purchases, and documentation requirements decreases the possibility that unauthorized purchases will occur.

- G. The city has not evaluated the cost and distribution of cellular phones. The city paid more than \$35,000 to provide cellular phone service to 80 city employees during the year ended October 31, 2007. The usage of city cellular phones ranged from 60 minutes to over 2,800 minutes on the July 2007 billing. Also, several of the detailed phone bills to support these costs were not retained by the city.

Further, while city officials indicated phone bills are reviewed, this review is not always documented. City policy allows employees to use the city provided phones for personal use and only requires such calls to be kept to a reasonable minimum.

While cellular phones can help increase employee productivity, they are also costly. Effective procedures should be implemented by the city to properly monitor cellular phone usage. Additionally, the city should periodically evaluate the cost and distribution of cellular phones to employees to ensure all phones are needed and are of benefit to the city.

- H. Procedures have not been established to ensure dedicated funds are spent for the intended purpose. For example, a vehicle costing \$20,400 purchased from the Lodging Tax Fund in 2006 is used by the Community Service Director of Parks and Civic Center who oversees tourism activities along with civic center and parks activities. A portion of the vehicle cost was not allocated to the Civic Center Fund or Parks and Recreation Fund, and as a result, lodging tax revenues were spent for other than the intended purpose.

Chapter 24, Article VIII, Section 24-183 of the City Code, provides that all revenues received from the two and one-half (2 1/2) percent lodging tax shall be utilized by the city for promoting the city as a convention, visitor and tourist center.

The funds of the city are established as separate accounting entities to account for specific activities of the city. The use of certain funds, such as lodging taxes, is limited by state law and city ordinances for specified purposes. Therefore, proper allocation of expenses is useful to accurately determine the results of operations of specific activities and to ensure restricted funds are spent for the intended purpose.

WE RECOMMEND the City Council:

- A. Discontinue paying bonuses to city employees.
- B. Ensure all disbursements are necessary and prudent uses of public funds.
- C. Ensure subsidies to other entities provide a benefit to the city and do not violate state law or the state constitution. Written agreements should be prepared which specifically address the services to be provided and compensation to be paid. In addition, procedures should be developed to adequately monitor subsidies given to not-for-profit organizations.
- D. Develop comprehensive policies regarding city provided food purchases.
- E. Require all employees to submit detailed travel expense reports in accordance with city policy.

- F. Adopt formal policies and procedures for credit card usage.
- G. Monitor the usage of cellular phones. In addition, an assessment should be performed to determine which city employees need a cellular phone.
- H. Ensure dedicated funds are expended for the intended purpose.

AUDITEE'S RESPONSE

- A. *The City acknowledges the finding and recommendation of the auditor. The City strongly believes the traditional practice of paying employees \$50 plus taxes for a Christmas bonus is valid and warranted to show some measure of appreciation for employees. This discussion will be addressed by the Council through the budget development and approval process.*
- B. *The City strongly believes that it should demonstrate its commitment to its employees and their service to the citizens. The City spent \$3,500 for a meal and small gift for all employees, media staff present, Mayor and Council and honored guests. As a part of the celebration, the departmental safety, wellness, and years of service awards were distributed; and, all employees were addressed by the City Administrator regarding the past year and upcoming year events. Although government, we believe this is a best management practice common to private industry and ultimately provides for better employee relations, performance, and thus beneficial to the citizens. In an effort to reduce expenses, the gifts will no longer be given.*
- C. *The City concurs with the finding and recommendation of the auditor. The City will take steps to ensure all agreements are written and properly document the services received. Procedures will be developed to ensure the monitoring of the services provided is per the agreement.*
- D. *The City concurs with the finding and recommendation of the auditor. The City has an adopted travel policy (206.0) which identifies the per diem rate to be paid for meals resulting from travel. The City will study and adopt a policy to govern the provision of food to boards, events and necessary management meetings.*
- E. *The City concurs with the finding and recommendation of the auditor. The City has adopted a travel policy with procedures regarding reimbursement or charging of travel expenses. The City will review the policy for necessary updates and re-communicate its requirements to all employees and staff.*
- F. *The City acknowledges the finding and recommendation of the auditor. Refer to City response MAR 4.*
- G. *The City acknowledges the finding and recommendation of the auditor. Refer to City response MAR 4. The City has bid cell phone service and evaluated need. The City has not maintained justification documentation for cell phones nor formally evaluated the*

costs and productivity effect of cell phone use. Cell phone usage that has been found to incur additional costs to the City have been assessed to the employee and reimbursements made. The City will conduct an evaluation and justification of cell phone allocation before fiscal year 2009 start.

- H. *The City acknowledges the finding and recommendation of the auditor. The purchase was approved by the Council warrants and subsequent budget amendment. The vehicle in question is used for multiple purposes primarily by Civic Center and Tourism staff. The City will continue to monitor the expenditures of dedicated revenues to ensure they are spent for the intended purposes.*

6. Professional Services and City Contracts
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The city has not solicited proposals for various professional and investment services and does not always enter into written contracts for such services.

- A. The city does not always solicit proposals from various firms or individuals for professional services. Also, the specific services to be provided and fees to be charged for such services were not always defined in a written contract. Examples include:

- The city did not solicit proposals for legal services (other than the city counselor) and has used the same three law firms routinely for several years. In addition, the city did not enter into a written contract with any of the firms for the legal services provided. The city paid \$83,221 (excluding payments to the city counselor's law firm) for legal services during the year ended October 31, 2007.
- Requests for proposals were not solicited for various professional services during the year ended October 31, 2007, including \$87,395 paid for consulting on natural gas services, \$27,784 paid for geotechnical engineering services, \$14,563 paid for street engineering, and \$14,100 paid for appraisal services.
- The city paid \$16,401 during the year ending October 31, 2007, for auditing services. The city solicited proposals for these services in 1998 and a firm was selected for a three year period. The city used this same firm until 2007 without soliciting proposals. In 2007, the CPA that provided auditing services to the city started a new firm and the city continued to use this CPA without soliciting competitive proposals.

While professional services, such as attorneys, consultants and engineers may not be subject to the standard bidding procedures, the city should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the service required.

Such practices help provide a range of possible choices and allow the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. Written contracts are necessary to document the rights and responsibilities of all parties involved and to prevent misunderstandings. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- B. The city has not solicited bids for investment services since 2002. The city has used the same investment firm since 2002 and had approximately \$15.7 million invested at October 31, 2007.

The city should periodically conduct a competitive bid process for investment services to ensure it is receiving the best services and rates. Documentation of this process should be retained.

WE RECOMMEND the City Council:

- A. Periodically solicit proposals for the selection of the various professional service providers. All documentation regarding proposals solicited should be retained. In addition, all contracts should be in writing.
- B. Periodically seek proposals or competitively bid the city's investment services.

AUDITEE'S RESPONSE

- A. *The City acknowledges the finding and recommendation of the auditor. Refer to City responses MAR 1A and MAR 4.*
- B. *The City concurs with the finding and recommendation of the auditor. The City will solicit bids for the city investment services in Fall 2008.*

7. Civic Center and Parks Procedures

Improvements are needed in the management of civic center and parks activities. The Cowan Civic Center is a multipurpose facility. The facility includes an exhibit hall which will seat 4,000 people, a 675-seat theater, an indoor heated pool, a gymnasium and multipurpose sports room, a fitness area, a commercial kitchen, and meeting rooms for small or large group events. These facilities are rented to businesses or the general public. The city also operates a Parks and Recreation Department which manages meeting rooms at the Wallace Building, Mills Building, and the Ag Barn in addition to providing various activities such as summer sports and recreation. The Community Service Director of Parks and Civic Center oversees the Civic Center and the Parks and Recreation (Parks) Department. We noted the following concerns:

- A. The city has not established a system to periodically evaluate the results of the various events and activities offered by the Civic Center and Parks Department.

Civic center and park activities and expenditures have increased significantly over the last several years resulting in increased subsidies primarily from the city's General Fund. For example, during the year ending October 31, 2005, the General Fund transferred a total of approximately \$442,000 to the Civic Center and Parks and Recreation Funds to subsidize events and activities and the subsidy increased to \$771,000 during the year ending October 31, 2007. In addition, \$92,000 was transferred from the Capital Improvement Sales Tax Fund to the Civic Center Fund to cover free memberships at the civic center.

The Civic Center and Parks Department only recovers a portion of these costs from revenues generated from event or activity fees.

Although the city intends to subsidize the civic center and parks programs, they have not considered ways to minimize the subsidy required from the General Fund. For example, the city does not charge residents who live outside of the city limits but within Laclede County for membership to the civic center and the Lebanon Area Foundation (LAF) is provided office space at the civic center free of charge.

A system evaluating the results of civic center and parks programs should be established. In addition, the long-term effects on the General Revenue Fund and other city funds of increased subsidies should be considered.

- B. Fees were not consistently charged in accordance with the established fee schedule for events held at facilities of the Civic Center and Parks Department. In addition, there was no documentation to support the amount charged for some events. Examples include:

- An organization the Parks and Recreation Director is involved with was allowed to use the theater and three meeting rooms at the civic center. The organization was charged \$350 for the event when the normal charge would have been approximately \$1,000. Also, there was no contract for this rental.
- An organization the Parks and Recreation Director is involved with was allowed to use the exhibition hall and was charged \$500 when the normal charge for the exhibition hall is \$850.
- A meeting room at the Wallace Building was rented to the Community Service Director of Parks and Civic Center's wife and was charged \$25 when the normal rental charge is \$150. Also, there was no contract for this rental.

- An organization the Parks and Recreation Director is involved with was allowed to use the city's ag barn each year for a Halloween celebration at no charge. The normal charge for the ag barn is \$150. The Parks and Recreation Director indicated there was no charge for this event because it was open to the public; however, another organization paid \$850 to use the exhibition hall at the civic center for a Halloween event in 2007 which was also open to the public.
- A part-time employee rented a meeting room at the civic center and was charged \$50 when the normal rental fee is \$150.
- The city charged a group \$9,000 for a five-day concert event and there was no documentation to support how the fee was calculated.
- Deposits are required to reserve an event date or to cover possible damage or clean up for some events. The amount charged for deposits varies; however, we noted a deposit was not required for some events.

To ensure event and rental fees and deposits are collected, and participants and employees receive equitable treatment, fees should be collected in accordance with the established policies. Any exceptions should be documented and approved by the Community Service Director of Parks and Civic Center.

- C. The Parks Department has not performed a formal review of concession prices and related costs. To ensure the city is covering the cost of these services, a periodic review of concession prices and related costs should be performed.

WE RECOMMEND the City Council:

- A. Establish a system to periodically evaluate the income and costs of various civic center and park activities. In addition, the City Council should consider the long-term effects on the General Revenue Fund and other city funds of increased subsidies.
- B. Ensure deposits and fees charged for city facilities are in accordance with the established policies. Exceptions should be fully documented and approved by a supervisor.
- C. Ensure a periodic review of concession prices and related costs is performed.

AUDITEE'S RESPONSE

- A. *The City acknowledges the finding and recommendation of the auditor. The City will establish a system for evaluation of Civic Center and parks activities cost benefit analysis. The City Council evaluates all transfers to operating departments during the budgeting and appropriation process and will continue to evaluate the desired levels of*

services provided by all city departments and the corresponding required financial commitments.

- B. The City concurs with the finding and recommendation of the auditor. The City has taken necessary actions to ensure deposits, fees and cash collections for city facilities are assessed in accordance with established policies including the documentation and approval of exceptions or variances.*
- C. The City concurs with the finding and recommendation of the auditor. Policies and procedures are being drafted regarding the daily operations and management of concessions operations. Concessions operations will be reviewed on a monthly basis and comprehensively reviewed annually.*

8. Civic Center and Parks Controls over Monies

Controls over monies collected at the Civic Center and Parks Department are poor and inadequate controls and oversight resulted in \$1,589 of unaccounted for monies collected by the sports desk to go undetected. In addition, the Civic Center and Parks Department does not have a centralized scheduling and accounting system to track events and related collection of fees. The audited financial statements reflected charges for services revenues of \$216,014 and \$89,551 for the Cowan Civic Center Fund and Parks and Recreation Fund, respectively, for the year ended October 31, 2007.

- A. There is no supervisory review performed of the various collection functions for the Civic Center and Parks Department.
 - 1. Employees, including the receptionist, plan events, prepare contracts for events, and collect the related fees. There is no supervisory review throughout this process. Collections are given to the receptionist in the main civic center office who prepares a summary report and transmits the monies to the city cashiers where the monies are recorded by the city and deposited into the city's bank account.

Segregation of duties and supervisory review helps to ensure that all transactions are accounted for and assets are properly safeguarded. Proper segregation would require distribution of these responsibilities among available personnel or provide for some supervisory review and independent reconciliation of records.
 - 2. The sports desk at the civic center collects monies from gym and pool rentals, floor aerobics, swim lessons, lifeguard training, out-of-county memberships and other activity fees. Receipt slips are not issued for some monies received; however, all monies received are to be recorded on the daily cash deposit re-cap report. These fees are small amounts primarily paid for with cash.

The sports desk is staffed by several employees who collect fees. Collections are transmitted by the sports desk supervisor to the receptionist in the main civic center office. There is no process to reconcile receipt slips issued to monies turned over to the receptionist.

The CPA firm engaged to audit the city's financial statements reported that amounts recorded for activities on the sport desk receipt slips did not agree to the amounts transmitted to city cashiers. The CPA firm identified receipt slips totaling \$1,589 that were not recorded or deposited. The CPA firm also reported that records were not sufficient to determine if these receipts slips were voided due to cancellations.

Had anyone compared the receipt slips from the sports desk to the amounts transmitted these discrepancies may have been detected.

B. The receipting system is cumbersome and procedures need improvement as follows:

- Seven receipt books are used to record the different activity receipts and the numerical sequence of receipt slips issued is not accounted for. Multiple receipt books are cumbersome and reduce the assurance that all monies received are accurately recorded and that all receipt slips can be accounted for.
- Monies are not transmitted intact to the city cashier's office. For example, some monies are held until all related program fees for a specific event are collected. Also, cleaning and damage deposit checks are held until after an event has occurred. These deposit checks are then transmitted to the city if necessary, returned to the vendor, or destroyed. In addition, employees sometimes issue cash refunds when a customer changes their mind about a facility or room rental.
- Cash, checks, and money orders are accepted for activity fees. Some receipt slips issued do not indicate the method of payment.
- Some receipt slips are not retained. We noted several instances where all copies of the receipt slips were torn out of the receipt book.

- Several receipt slips were not properly voided.
- Some receipt slips issued do not include all necessary information such as payor and receipt date and some receipt slips were written in pencil which allows easier alteration of the receipt slips.
- Rediform receipt slips are issued for monies collected.

Failure to implement adequate receipting procedures increases the risk that loss or misuse of monies received will go undetected. To adequately account for all monies received, the numerical sequence of receipt slips issued should be accounted for, the method of payment should be indicated on all receipt slips, and the composition of receipt slips should be reconciled to amounts transmitted to the city cashiers office. In addition, monies should be transmitted intact and all refunds made by check. Duplicate copies of receipt slips should be retained and voided receipt slips should be properly defaced and maintained. Sufficient information should be recorded on all receipt slips and completing receipt slips in pencil should be discontinued. Official prenumbered receipt slips should be issued for all monies received.

C. The Civic Center and Parks Departments do not have a centralized scheduling and accounting system to track events and related collection of fees. The following concerns were noted:

- Records do not always document whether rental amounts have been paid or are still due. Civic Center and Parks Department employees currently use seven day planners or calendars when a room is reserved. Some day planners indicate if the related fee has been paid while others do not. In cases where the day planner does not indicate if the related fee has been paid, receipt slips have to be reviewed to determine this information.
- For some events where the city could not locate the payment of rental fees, city personnel indicated the event had been canceled; however, it was not always clear from the day planners or calendars if the event had been canceled.
- Some event rental and meeting room contracts are prepared and retained while others are not. For example, rental agreements for the pool and gymnasium are not retained by the sports desk. Contracts for several other events could not be located.
- Routine procedures to follow up on unpaid rental fees have not been established. In some cases, several months had passed after an event was held and the rental fee remained unpaid.

To ensure all rental fees are collected and properly accounted for, the city should maintain a central record of the dates the various facilities are rented, the name of the individual or organization renting the facilities, the rental charge, and amounts received. Procedures should be developed to follow-up on and pursue collection of any delinquent amounts due.

WE RECOMMEND the City Council:

- A. Provide for adequate segregation of duties and supervision over collection and transmittal procedures of the Civic Center and Parks Department. Any unaccounted for monies should be investigated and legal counsel consulted regarding appropriate action to be taken.
- B. Provide for improved receipting procedures at the Civic Center and Parks Department to adequately account for all monies received. Such procedures should include: reducing the number of receipt books used, accounting for the numerical sequence of all receipt slips issued, including the method of payment on all receipts slips, reconciling the composition or receipt slips to amounts transmitted to the cashiers office, transmitting monies intact, refunding amounts by check only, retaining duplicate copies of receipt slips, defacing and maintaining voided receipt slips, recording sufficient information on all receipt slips, and issuing official prenumbered receipt slips for all monies received.
- C. Develop a centralized scheduling system which also accounts for amounts charged, collected, and unpaid. Procedures should be developed to pursue collection of any delinquent amounts due.

AUDITEE'S RESPONSE

- A. *The City acknowledges the finding and recommendation of the auditor. The City did investigate the unaccounted monies in dispute and finds no definitive evidence indicating theft or misappropriation; rather poor documentation practice and lack of supervisory oversight. Policies and procedures are being drafted and implemented to ensure proper accountability of collection and deposit of monies collected at the Civic Center and Parks Department.*
- B. *The City concurs with the finding and recommendation of the auditor and has begun implementation of auditor recommendation. The City will continue to evaluate, adopt and monitor policy adherence to ensure proper accountability of all monies collected for Civic Center and Parks Department activities and facilities use.*
- C. *The City concurs with the finding and recommendation of the auditor and has taken steps to establish a centralized scheduling system to include accountability for accounts receivable coordination with the City Clerk and ensure all monies due are collected.*

9.**Vehicle Usage**

Controls over vehicle usage need improvement. There is no documentation to indicate the city has analyzed vehicle usage to ensure all city-owned vehicles are used efficiently and the city does not report taxable benefits associated with city vehicles used for commuting purposes. Also, the city does not have a policy regarding use of city-owned vehicles for commuting and the amount of fuel pumped from the city's metered tanks, is not reconciled to the gallons purchased.

- A. There is no documentation to indicate the city has made an effort to analyze vehicle usage to ensure all city-owned vehicles are used efficiently. Mileage records that include the purpose and destination of each trip, and the daily beginning and ending odometer readings are not maintained to document the use of city-owned vehicles.

Upon our request the city estimated annual mileage for vehicles fueled at the public works facility based on fuel logs which document odometer readings each time the vehicle is fueled. According to this information, several vehicles were driven less than 5,000 miles during the year. Low mileage may indicate a city has too many vehicles or is not efficiently utilizing vehicles.

Complete and detailed mileage records for all city owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all city owned vehicles are used efficiently and for city business.

- B. The city does not report taxable benefits associated with city vehicles used for commuting purposes. In addition, the city does not have a policy regarding use of city-owned vehicles for commuting. A list provided by the City Administrator reflected 28 employees (excluding Police and Fire Department employees) were assigned vehicles which they are also allowed to use for commuting purposes. City officials indicated supervisors and other employees that are on 24-hour call for emergency situations are allowed to commute with city vehicles. Further, some of the commuting mileage incurred on some city vehicles appeared excessive. Based upon residence information and work schedules reviewed for some employees, as much as 60 percent of the mileage on vehicles used by two city employees was for commuting purposes.

Internal Revenue Service (IRS) Code reporting guidelines indicate personal commuting mileage is a fringe benefit that should be reported on the individuals' W-2 forms. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. However, for non-exempt vehicles, IRS guidelines require the full value of the provided vehicle to be reported on the employees' W-2 forms if the

employer does not require the submission of detailed logs, which distinguish between business and personal (commuting) usage, and as noted in Part A above, usage logs are not maintained for city vehicles. Because procedures have not been established to ensure the IRS regulations are followed, the city may be subject to penalties and/or fines for failure to report all taxable benefits.

The city should review the necessity of providing vehicles for commuting purposes. To provide guidance and avoid misunderstandings, a policy should be developed which addresses issues such as when a vehicle may be used for commuting and the related approval process. For those employees where commuting in city-owned vehicles is considered necessary, vehicle logs should be maintained which clearly distinguish between business and commuting use, and taxable benefits for commuting should be reported on applicable employees' W-2 forms.

- C. The city purchases gasoline and diesel in bulk and stores the fuel in city-owned tanks located at the public works facility. While logs are maintained to record the amount of fuel pumped from the city's metered tanks, the logs are not reconciled on a periodic basis to the gallons purchased. The city spent more than \$416,000 to purchase fuel for all departments during the year ended October 31, 2007.

To ensure that fuel expenditures are reasonable and that fuel is properly accounted for, the usage recorded on the fuel logs should be reconciled to the fuel purchased on a periodic basis and significant differences should be investigated.

WE RECOMMEND the City Council:

- A. Require complete and detailed mileage records be maintained for all city owned vehicles and periodically analyze vehicle usage to ensure city owned vehicles are used efficiently.
- B. Review the necessity of allowing employees to commute with city vehicles. If allowed, the City Council should develop a policy and comply with IRS guidelines for reporting fringe benefits related to commuting with city-owned vehicles.
- C. Reconcile fuel usage to fuel purchases and investigate any significant differences.

AUDITEE'S RESPONSE

- A. *The City concurs with the finding and recommendation of the auditor and has begun implementation pursuant to Mayor's Guidance Statement(s) 22, 23, 26, 27, 30 and City policies 290.01 – 290.05. Further the City is in the process of hiring a fleet manager to evaluate, manage and make recommendations regarding fleet management best practices to City Administration.*

- B. *The City concurs with the finding and recommendation of the auditor and has complied with recommendation pursuant to implementation of Mayor's Guidance Statements 22, 23, 26, 27, 30 and policy 290.01 – 290.05.*
- C. *The City concurs with the recommendation of the auditor. The City currently performs regular checks of fuel usage, deliveries and purchases. The City will investigate any significant differences and promptly report same to City Administration.*

10.	Payroll Policies and Procedures
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Improvements are needed over payroll policies and procedures. Payroll duties are not adequately segregated, timesheets are not submitted for some employees, and outside employment activities are not adequately monitored. The city does not enforce its policy that prohibits an employee from supervising a member of their immediate family. Additionally, one instance of potential nepotism was noted, performance evaluations are not prepared in accordance with city policy, and job descriptions were not on file for some positions.

- A. Payroll duties are not adequately segregated. One clerk enters all payroll information for administrative staff and verifies payroll information entered by other departments. The payroll clerk is also responsible for all other payroll duties including record keeping, disbursing payroll checks, distributing employee W-2 forms, and maintaining personnel files. Proper internal controls over payroll functions should include adequate segregation of duties such as segregating record keeping functions from disbursing payroll checks. If segregation of duties is not possible, periodic supervisory review of payroll disbursements would minimize the risk for loss, theft or misuse of funds.
- B. Some employees are not required to submit timesheets to the payroll clerk. Supervisors of each department enter hours worked into the electronic payroll system and then submit a signed copy of the timesheet to the payroll clerk; however, timesheets prepared by the Electric and Construction Departments are not submitted to the payroll clerk. The supervisors of these departments indicated there was some miscommunication and they did not realize the time sheets should be submitted.

In addition, employee timesheets are not always approved and signed by a supervisor. We noted that on occasion some Civic Center and Parks Department employee timesheets are not reviewed and signed by the Community Service Director of Parks and Civic Center; instead his signature stamp is applied to timesheets by his receptionist.

Submission of timesheets which are signed by the employee and approved by supervisors would provide full support for payroll processed by the city. The city cannot adequately ensure the legitimacy of payroll payments without adequate

supporting documentation. Employee timesheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

- C. The city does not adequately monitor its outside employment policy. The city's outside employment policy allows employees to engage in other employment activity, provided that such work does not interfere with the employee's work at the city. City officials indicated that several city employees engage in outside employment; however, the city does not have procedures to track which employees engage in such outside employment. For example, the Community Service Director of Parks and Civic Center worked as a senator staff and was paid \$8,246 by the state during calendar year 2007.

To ensure the outside employment activities of city employees do not interfere with their official city duties or result in a conflict of interest, the city should develop procedures to track outside employment activity.

- D. Some situations were noted which may be conflicts of interest.
1. Several city employees are related to other city employees. In some instances, city employees are under the supervision of a related employee. For example, the Captain in the Police Department supervises his son and daughter-in-law who both work as patrol officers. City policy prohibits an employee from supervising a member of the employee's immediate family. While there are supervisory levels between the Captain and his family members, the organization chart indicates he does have oversight over these individuals.
 2. The nephew of the Community Service Director of Parks and Civic Center was hired in May 2007 to work in the Parks and Recreation Department for the summer. The payroll form authorizing the hiring of the nephew was signed by the Parks and Recreation Director on May 14, 2007; however, the payroll form establishing the starting pay rate was signed by the Community Service Director of Parks and Civic Center on May 4, 2007. As a result, it is unclear what role the Community Service Director of Parks and Civic Center had in the hiring decision.

Chapter 2, Article IX, Section 2-620, of the City Code, states, that, "Two (2) or more members of an immediate family may be employed in the same department under the same supervisor; however, an employee shall not supervise a member of such employee's immediate family. This policy applies to promotions, demotions, transfers, reinstatements, and new appointments". The code also defines immediate family. Article VII, Section 6, of the Missouri Constitution defines the penalty for nepotism and states "Any public officer or employee in this state who by virtue of his office or employment names or appoints to public

office or employment any relative with the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment."

To avoid potential conflicts of interest, the city should enforce its policy addressing supervision of relatives and avoid the appearance of nepotism. All situations in which two city employees are related should be reviewed and legal counsel should be consulted regarding compliance with the city code and the Missouri Constitution.

- E. Performance evaluations were not prepared in accordance with city policy. The payroll clerk indicated evaluations were not performed in 2007 because the evaluation form was being updated. The city's policy requires performance evaluations be prepared at the end of six months for new hires and annually thereafter.

The city should ensure employees are properly evaluated in accordance with city policy. Such evaluations are necessary to provide documentation for raises, promotions, and employee discipline.

- F. Job descriptions for some city employees have not been established by the city. Job descriptions were not on file in the payroll office for the Police Department Lieutenant and the Community Service Director of Parks and Civic Center. Upon bringing this to the payroll clerk's attention, the Community Service Director of Parks and Civic Center provided a job description.

Formal job descriptions are necessary to ensure the city and employees have a clear understanding of the duties and responsibility of each position. Job descriptions should include a detailed list of duties and minimum education and experience requirements.

WE RECOMMEND the City Council:

- A. Provide for adequate segregation of duties or ensure a supervisory review of the payroll duties performed by the payroll clerk is performed.
- B. Ensure timesheets are submitted to the payroll clerk. Also, the City Council should require documentation of supervisory approval on all timesheets.
- C. Develop procedures to better monitor outside employment activities and ensure that any potential conflicts are avoided.
- D. Enforce city policy addressing supervision of related employees and ensure the appearance of nepotism is avoided. Legal counsel should be consulted to ensure compliance with city code and the Missouri Constitution.
- E. Ensure employee performance evaluations are prepared in accordance with city policy.

F. Establish job descriptions for all city employees.

AUDITEE'S RESPONSE

- A. *The City acknowledges the finding and recommendation of the auditor. Multiple personnel enter time for all City employees. One clerk enters payroll data for the administrative staff; however, Human Resources reviews time entry and payroll information. The City is in the process of cross training other staff to enter payroll data and will assign part of the duties to the accounting staff. Further, the City will evaluate payroll process and implement additional measures to ensure accuracy and improve accountability.*
- B. *The City concurs with the findings and recommendation of the auditor. All departments have been instructed to submit signed timesheets to Human Resources.*
- C. *The City concurs with the findings and recommendation of the auditor. The City will address this with Mayor's Guidance Statement 28 which is currently being reviewed and is expected to be adopted by the Council by August 2008. The City will re-communicate its policy regarding outside employment (102.12, Article IX Sec. 2-623 of Code) and draft authorization forms with appropriate reviews regarding outside employment by classified City employees.*
- D. *The City acknowledges the findings and recommendation of the auditor. The City will reevaluate its policy regarding supervision of related employees including educating staff of City policy, nepotism and state law requirements.*
- E. *The City concurs with the findings and recommendation of the auditor. Evaluations are in the process of being redeveloped pursuant to Mayor's Guidance Statement 13 and will be fully implemented by end of calendar year 2008.*
- F. *The City concurs with the findings and recommendation of the auditor. The City currently has job descriptions for most of the employee positions. The City will reevaluate its positions, standardize descriptions, and review periodically to keep said descriptions current. The City is currently in the process of conducting these reviews as a response to Mayor's Guidance Statement Number 10, Establishment of Standardized Labor Categories and Pay-scales.*

11.

Accounting Controls and Procedures

The city does not have adequate procedures to account for all receipt slip numbers, controls over adjustments made to customer utility accounts could be improved, and the city does not adequately follow-up on old outstanding checks. Internal controls could be strengthened related to processing expenditures. In addition, expenditure approval was not always documented as required by city policy and purchase orders were not always

completed timely. Also, the Mayor is not bonded, city employees are allowed to cash personal checks, the cashier's office petty cash fund is not operated on an imprest basis, and some monies collected by the Police Department are not transmitted timely to the city cashier's office.

The city cashier's office collects payments for utilities, court fines, and other miscellaneous fees. The city also has collection points at the Civic Center and Parks Department and the Police Department which collect monies and remit those monies to the cashier's office. During our review we noted the following concerns:

- A. The city does not have adequate procedures to ensure all receipt numbers are adequately accounted for. The City Clerk indicated all of the clerks have the ability to delete batches of receipts. All cashiers responsible for collecting city monies share the same receipt slip number sequences. The computer assigns the receipt slip numbers as transactions are entered into the system, and at the end of each day each clerk prints out their daily receipt activity report. No one has been assigned the responsibility of accounting for all receipt numbers and there is no report generated to account for the numerical sequence of all receipt numbers.

To ensure proper accountability over receipts, the city should develop procedures to account for the numerical sequence of all receipt numbers issued.

- B. Controls over adjustments made to customer utility accounts could be improved. The cash collection clerks along with the utility billing supervisor have the ability to record some of these adjustments without any independent review or approval of the adjustment. Authorization forms for some adjustments to customer receipt information and meter readings are prepared by the clerks and approved by the City Clerk; however, these clerks have the ability in the computerized accounting system to process these adjustments without the City Clerk's approval. While the city's computer system generates a monthly report of all adjustments made to utility accounts, this report is not reviewed by the City Clerk to ensure all adjustments are proper. Monthly utility re-cap reports reflect approximately 3,500 adjustments (\$36,260 positive and \$26,465 negative) were made during the year ended October 31, 2007, to customer accounts.

Proper approval/authorization for adjustments is necessary to ensure only the proper accounts and amounts are adjusted and to reduce the risk of misstatement or misappropriation. A periodic independent comparison of authorized adjustments to the adjustment report should be performed to ensure all adjustments are proper.

- C. The city does not adequately follow-up on old outstanding checks. At October 31, 2007, there were 69 checks totaling approximately \$2,600 which had been outstanding for more than one year.

Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- D. Control over expenditures could be improved. The Accounts Payable Clerk has unrestricted access to signature stamps and signature plates of the Mayor and City Project Manager and uses them to sign checks. In addition to retaining control over the signature stamps and signature plates, the Accounts Payable Clerk posts expenditure transactions to accounting records, maintains the supporting documentation for transactions, and prepares the checks. Although the city's checking account requires two signatures for all disbursements, allowing the accounts payable clerk unrestricted use of the signature stamps and signature plates diminishes the control intended by two signatures.

To effectively strengthen internal controls, one individual should not be performing all accounting duties related to processing expenditures and also have unrestricted access to the signature stamps or plates.

- E. The City Administrator's approval was not always documented for expenditures in excess of \$1,000. Documented approval was not found for the following purchases: drilling of city well (\$234,230), airport runway sealant (\$93,745), sewer pumping system (\$55,000), electric substation parts (\$45,640), electrical supplies (\$26,750), event calendars and visitor guides (\$14,306), airport engineering (\$8,471), geo-technical engineering (\$6,138), street engineering (\$4,220), conference fee (\$3,000), and vending products (\$2,315). The city's purchasing policy states that the City Administrator's approval is required before commitment on purchases over \$1,000.

Failure to document purchase approval reduces the city's ability to monitor and control expenditures.

- F. Some purchase orders were prepared after the expenditure was incurred. For example, a fence repair invoice totaling \$2,930 was dated February 16, 2007, and the accompanying purchase order was not completed until March 19, 2007. The city requires that a purchase order be completed and authorized by both a department head and city administrator for all expenditures exceeding \$100, excluding regular recurring expenditures such as telephone bills.

Purchase orders are meant to document the bidding and approval practices that take place before a purchase is made as required by the city's purchasing policy. To monitor and ensure purchases are properly authorized, the city should prepare timely purchase orders.

- G. The Mayor is not bonded. The Mayor's signature is required on checks along with the City Project Manager. Failure to bond individuals with access to assets exposes the city to risk of loss.

- H. The city allows employees to cash personal checks totaling up to \$50 from daily cash receipts. Cashing personal checks from daily cash receipts reduces the accountability over monies received. This practice should be discontinued.
- I. The cashier's office petty cash fund is not maintained on an imprest basis. When petty cash monies are needed, monies from the cash drawers are used. The daily cash collection receipt register reflects when monies are taken out of deposits for petty cash and codes the petty cash disbursement to a specific expenditure category; however, good internal controls require petty cash to be set at an established amount and to be reimbursed by check when necessary. An imprest petty cash fund would improve accountability over petty cash monies.
- J. Some monies received for copies of police reports by the Police Department are not transmitted timely to the city cashier's office. We noted some monies were held as long as twelve days by the Police Department before being transmitted. Also, checks are not restrictively endorsed upon receipt. To adequately safeguard monies and reduce the loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt and transmitted to the city cashier's office in a timely manner.

WE RECOMMEND the City Council:

- A. Ensure procedures are in place to account for the numerical sequence of all receipt numbers.
- B. Develop procedures to adequately monitor adjustments made to customer accounts.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks that are outstanding for a considerable time.
- D. Ensure proper controls are established over expenditures and the signature stamps and signature plates.
- E. Ensure all expenditures are properly authorized.
- F. Require purchase orders to be completed before purchases are made.
- G. Obtain bond coverage for all individuals having access to city assets.
- H. Discontinue the practice of cashing personal checks for employees.
- I. Maintain the petty cash fund on an imprest basis.

- J. Ensure checks are restrictively endorsed immediately upon receipt and monies are transmitted timely.

AUDITEE'S RESPONSE

- A. *The City concurs with the findings and recommendation of the auditor. The City's software automatically assigns receipt numbers and there is no bypass or manual override capability to this process. However, deleted batches can create gaps in receipt numbers. The City Clerk has changed the password to require City Clerk or designee to approve all batch deletions. The City Clerk will periodically audit batches to ensure proper numerical sequencing of receipts.*
- B. *The City concurs with the findings and recommendation of the auditor. The City Clerk currently approves all post billing adjustments. The City Clerk will audit on a monthly basis, adjustments approved against actual system adjustments.*
- C. *The City concurs with the findings and recommendation of the auditor. The City has taken necessary action to comply with this recommendation.*
- D. *The City acknowledges the findings and recommendation of the auditor. Currently City warrants are reviewed by the City Clerk, City Administrator, and City Council. The City Clerk verifies check number sequencing to ensure proper accountability of all checks. The City Clerk has secured and maintains the check signing key and all stamps bearing multiple signatories names.*
- E. *The City acknowledges the findings and recommendation of the auditor. The City has modified its organization since development of purchasing policy. City code 2-98, e, i, provides authority for the Public Works Director to authorize expenditures as does 2-102h of ordinance 4479 (not yet codified) for the Project Manager. It was contemplated by management and the Council that these two positions were of a senior level and therefore were authorized; or, at minimum could be delegated such responsibility by the City Administrator. The issue will further be addressed as the City's contracting, services procurement and general purchasing policies are being reviewed (per Mayor's Guidance Statement 11) and will be amended to correlate with the desired business practice of the City Council and in conformance with state law. We expect to adopt a policy by October 2008 and have full implementation by start of fiscal year 2009.*
- F. *The City concurs with the findings and recommendation of the auditor. The City's contracting, services procurement and general purchasing policies are being reviewed (per Mayor's Guidance Statement 11) and will be amended to correlate with the desired business practice of the City Council and in conformance with state law. We expect to adopt a policy by August 2008 and have full implementation by start of fiscal year 2009.*
- G. *The City concurs with the findings and recommendation of the auditor. The City has bonded the Mayor and all signatories for disbursement of funds are bonded.*

- H. The City concurs with the findings and recommendation of the auditor. The City has complied with this recommendation via memo to staff dated June 20, 2008.*
- I. The City acknowledges the findings and recommendation of the auditor. The City has researched its system and has determined that reports can be generated and reviewed to properly account for all petty cash expenditures. The reports will be generated and periodically reviewed by the City Clerk.*
- J. The City concurs with the findings and recommendation of the auditor. The City accounting staff has complied with the recommendation and is picking up all funds daily from the Police Department. The City will provide the Police Department a restrictive endorsement stamp to comply with auditor recommendation.*

12. City Procedures

The city does not periodically examine the accounting records of hotels, motels, and campgrounds to ensure gross receipts taxes levied are accurate. The city did not retain documentation of the reasons supporting the decision to declare an area blighted. In addition, city ordinances do not address penalties for late payment of utilities by industrial companies and the City Council has not established written guidelines to define the levels of authorization or approval for entering into various agreements.

- A. The city does not periodically examine or inspect the accounting records of hotels, motels and campgrounds to ensure the amounts paid to the city for a gross receipts tax levied on these businesses are accurate. Gross receipt taxes of approximately \$160,000 were collected by the city during the year ended October 31, 2007.

A lodging tax of two and one-half percent is levied by the city on the gross receipts of hotels, motels and campgrounds located within city limits. A monthly report of gross receipts is required to be submitted by the hotels and motels to the city along with the taxes due. Chapter 24, Article VIII, Section 24-186 of the City Code authorizes the city administrator or an authorized representative to examine and inspect the accounting records of the hotels and motels in the city to ensure the amounts reported are accurate.

To ensure all lodging taxes due are received, the city should consider implementing procedures to periodically examine the records of the hotels, motels, and campgrounds in the city.

- B. The city did not retain documentation of the reasons supporting the decision to declare an area blighted. In July 2007, the city approved a redevelopment plan for a local manufacturer and declared the redevelopment area blighted. This allowed the local business under provisions of Chapter 353, RSMo, to obtain tax abatements on city and county real estate taxes on the improvements to be erected and maintained on the real estate. Section 353.020, RSMo, defines a blighted area as that portion of the city that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration has become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.

Failure to document the reasons for declaring an area blighted reduces the city's ability to justify the decision to the taxpayers and to ensure equitable treatment of local businesses.

- C. City ordinances do not address penalties for late payment of utilities by industrial companies. The City Clerk indicated the city assesses penalties for late payment of utilities by industrial customers based upon an ordinance that applies to residential and commercial customers. Chapter 26, Article V, Section 26-149, City of Lebanon Code of Ordinances, provides, "...the city shall add a ten (10) percent service charge to the monthly amount of the bill due and payable for each thirty (30) days of delinquency. If the bill is not paid on or before the fifteenth day after the due date services shall be disconnected. This section shall not apply to industrial customers". We noted one industrial customer was charged late penalty fees of \$2,157 and was as much as three months delinquent on payments without utilities being disconnected.

Complete and detailed written policies are necessary to provide guidance for the effective and consistent management of the city's funds. Further, written policies for late payment penalties and the disconnection of services would help to encourage prompt payment.

- D. The City Council has not established written guidelines to define the levels of authorization or approval for entering into various agreements. While most agreements were formally approved by the City Council, some agreements were not. For example, the Mayor entered into a two-year lease agreement with a local manufacturer in December 2006 that did not require the manufacturer to pay any rent for the first year which was not approved by the City Council. Annual rent for the building after the first year will be \$28,000.

Written policies and procedures defining levels of authorization or approval requirements for entering into agreements on the city's behalf are necessary to strengthen internal controls, provide guidance, and avoid misunderstandings.

WE RECOMMEND the City Council:

- A. Consider implementing procedures to periodically examine the accounting records of hotels, motels, and campgrounds to ensure amounts paid to the city are accurate.
- B. Retain documentation to support the decision for declaring an area blighted and ensure the criteria is equitably applied in future decisions.
- C. Review and update city policies to address delinquent payment of utilities by industrial customers.
- D. Develop written policies and procedures defining levels of authorization or approval for entering into agreements on the city's behalf.

AUDITEE'S RESPONSE

- A. *The City acknowledges the findings and recommendation of the auditor. The City Clerk's Office maintains a system to account and review each month's lodging tax receipts from hoteliers. The City will evaluate implementing procedures to examine books and records of hotels, motels, and campgrounds to verify accuracy of receipts.*
- B. *The City concurs with the findings and recommendation of the auditor and will retain supporting documentation for decisions made by the City Council.*
- C. *The City acknowledges the findings and recommendation of the auditor. The City will reevaluate the codes regarding delinquency, penalties, etc. with regards to industrial customer accounts.*
- D. *The City acknowledges the findings and recommendation of the auditor. The City will evaluate and develop written policies and procedures regarding authorization levels of approving agreements.*

13. Financial Reporting and Planning

The city has not published financial statements and procedures have not been established to ensure revenues are spent for the intended purpose.

- A. The city has not published financial statements as required by state law. Section 77.110, RSMo, requires the City Council to publish a full and detailed statement of the receipts and expenditures and indebtedness of the city every six months,

including at the end of each fiscal year, in a newspaper of general circulation in the city.

- B. A formal street maintenance plan for the city streets has not been prepared annually. City personnel indicated the city moves from one ward to another ward each year and solicits input from the public related to street improvements; however, a street maintenance plan should be prepared in conjunction with the annual budget and include the streets to be worked on, the type of work to be performed, estimated work dates, cost estimates, and any other relevant information. The plan should be included in the budget message and approved by the City Council. In addition, a public hearing should be held to obtain input from the city residents and the plan should be updated throughout the year as necessary.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the City Council:

- A. Ensure the city's financial statements are published as required by state law.
- B. Prepare a formal street maintenance plan for the city streets at the beginning of the year and periodically update the plan throughout the year. In addition, the council should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

- A. *The City concurs with the findings and recommendation of the auditor and will comply with auditor recommendation.*
- B. *The City acknowledges the findings and recommendation of the auditor. While the City has presented similar plans annually to the Council, the City has not formally adopted a street maintenance plan. The City is in the process of developing a formal master plan for street maintenance including identification of ADA barriers.*

14. City Council Minutes

Improvement is needed in the procedures and documentation related to closed meetings of the council. In addition, the council minutes are not signed by the Mayor to attest to their accuracy.

- A. The handling and documentation related to matters discussed by the council in closed session could be improved. The city did not document how some items

discussed in closed session complied with state law. These items included changes to the city's organization chart and salary increases. In addition, open meeting minutes did not always document all items required by the Sunshine Law including the related vote to close the meeting, the specific reasons for closing the meeting, and actions taken by the council in closed meetings. The tentative agenda for each council meeting indicates a closed session meeting will be held to discuss real estate or personnel matters regardless of whether such meeting is needed. We noted several examples where it appeared decisions were made in closed session; however, a roll call vote was not taken.

The Sunshine Law, Chapter 610, RSMo, allows the council to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The council should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes. In addition, the Sunshine Law requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote and requires certain matters discussed in closed meetings to be made public upon final disposition.

- B. The council minutes are prepared and signed by the City Clerk; however, they are not signed by the Mayor. The minutes should be signed by the Mayor upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council meetings.

WE RECOMMEND the City Council:

- A. Ensure only allowable, specified subjects are discussed in closed session. In addition, the City Council should ensure minutes document the vote to go into closed session, state the reasons for going into closed session, and publicly disclose the final disposition of applicable matters discussed in closed session.
- B. Ensure council minutes are properly signed by the Mayor or some other official to attest to their accuracy.

AUDITEE'S RESPONSE

- A. *The City acknowledges the findings and recommendation of the auditor. The City acknowledges that improvement can and has been made with regards to documentation of closed session proceedings including the basis for closing the session. The City disputes any implication of violating Sunshine Law requirements specifically with regards to discussing issues outside the parameters of the intent for closing the meeting and has made closed session information available to the public on request as specified*

in the Sunshine Law. The City will strive to continue compliance with Sunshine Law requirements and has adopted policy pursuant to Mayor's Guidance Statements 2, 4, and 12.

- B. The City concurs with the findings and recommendation of the auditor and has implemented procedures to comply with the recommendation.*

15. Capital Assets

The city does not maintain records to account for its capital assets. Also, property is not tagged for specific identification and an annual physical inventory is not performed. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal controls and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

WE RECOMMEND the City Council ensure property records are maintained which include all pertinent information for each asset such as description, cost, acquisition date, location, and subsequent disposition. The city should also properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

AUDITEE'S RESPONSE

The City concurs with the findings and recommendation of the auditor. The City has begun compliance with recommendation pursuant to Mayor's Guidance Statements 5 and 21.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF LEBANON, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The city of Lebanon is located in Laclede County. The city was incorporated in 1877 and is currently a third class city. The population of the city in 2000 was 12,155.

The city government consists of a mayor and an eight-member city council. The members are elected for 2-year terms. The Mayor is elected for a 4-year term, presides over the city council, and only votes in the case of a tie. The Mayor, City Council, and other officials at October 31, 2007, are identified below. Ward one covers north Lebanon, ward two covers east and southeast Lebanon, ward three covers southwest Lebanon, and ward four covers west Lebanon. The Mayor is paid \$400 per month and City Council members \$200 per month. The compensation of these officials is established by ordinance.

Elected Officials	Dates of Services During the Year Ending October 31, 2007
Stanley "Bud" Allen, Mayor (1)	November 2006 – October 2007
Dan True, Ward One Councilmember	November 2006 – October 2007
Chase Waggoner, Ward One Councilmember	November 2006 – October 2007
Robert Brown, Ward Two Councilmember (2)	November 2006 – October 2007
Jim Davis, Ward Two Councilmember (3)	December 2006 – October 2007
J. L. Kinnett, Ward Two Councilmember (3)	November 2006
Allen Richert, Ward Three Councilmember	November 2006 – October 2007
David Troutman, Ward Three Councilmember (4)	November 2006 – October 2007
Robert Thieman, Ward Four Councilmember (5)	November 2006 – October 2007
Bill Wheeler, Ward Four Councilmember	November 2006 – October 2007

- (1) Stanley Allen received \$28,049 during the year ending October 31, 2007, for increased supervisory responsibilities of the Police Department, Fire Department, and Project Manager; resulting in total compensation of \$32,849. C.P. Craig was elected Mayor in April 2008 and receives an annual salary of \$4,800.
- (2) David Layman was elected Councilmember in April of 2008.
- (3) J. L. Kinnett resigned in November 2006 and the Council appointed Jim Davis to fill his term ending in April 2007. Jim Davis was elected to this position in April 2007.
- (4) Brian Anthony was elected Councilmember in April of 2008.
- (5) Chuck Jordan was elected Councilmember in April of 2008.

Other Officials	Dates of Service During the Year Ended October 31, 2007	Compensation Paid for the Year Ended October 31, 2007
Joe Knapp, City Administrator	November 2006 - October 2007	\$ 75,227
Laina Starnes, City Clerk	November 2006 – October 2007	46,722
Jon Morris, City Attorney *	November 2006 – October 2007	21,600

David Wilhite, City Counselor	November 2006 – October 2007	25,194
Mark Rector, Municipal Judge *	November 2006 – October 2007	25,920
Samuel Mustard, Police Chief (6)	November 2006 – October 2007	54,308
Sam Schneider, Fire Chief	November 2006 – October 2007	55,531
Scott Shumate, Project Manager (7)	November 2006 – October 2007	88,413
Richard Shockley, Public Works Director (8)	November 2006 – October 2007	63,677
Sam Allen, Community Service Director of Parks and Civic Center (9)	November 2006 – October 2007	55,940
Cathy Mustard, Planning & Zoning Director	November 2006 – October 2007	35,991

* Elected position

- (6) Samuel Mustard announced his retirement as Police Chief in May 2008. Raymond Blackburn has been appointed as interim Police Chief.
- (7) Scott Shumate served as the Public Works Director from November 2006 until April 2007 when he became Project Manager.
- (8) Richard Shockley served as Utility Operations Manager from November 2006 until April 2007 when he became the Public Works Director.
- (9) Sam Allen resigned his position in April 2008.

In addition to the officials identified above, the city employed 231 full-time and part-time employees on October 31, 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 127,502,570
Personal property	47,367,732
Railroad and utility	<u>1,044,762</u>
Total	<u>\$ 175,915,064</u>

TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General Fund	\$.2525
Parks and recreation	.2525
Lebanon Special Business District	.6651

TAX RATES PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$.0100
Capital improvement	.0050
Transportation	.0050



Susan Montee, CPA
Missouri State Auditor

AGRICULTURE

Department of Agriculture



July 2008

Report No. 2008-45

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

The following report is our audit of the Department of Agriculture.

During 2007, the Missouri Agricultural and Small Business Development Authority (MASBDA) entered into grant agreements totaling \$500,000 under the Livestock Odor Abatement Program with three entities; a private company, the University of Missouri-Columbia and the University of Missouri-Rolla. The grant agreements limited grant payments to no more than one a month and required copies of supporting documents for expenditures. Our audit found that all of these grant funds were disbursed to the three entities in a hurried fashion, without regard for the grants' terms. None of the payments complied with the terms of the grant agreements, and none of the payments were supported by documentation of expenditures. In fact, we found that when the payments were made the three entities had only incurred a minimal amount of expenditures related to the grants. The executive director of MASBDA indicated it was necessary to make the payments prior to fiscal year end to prevent the appropriated funds from lapsing.

The Missouri Department of Agriculture (MDA) has not conducted adequate audits or reviews of ethanol and biodiesel incentive producer grant applications. Producers submit monthly applications to the MDA that include the number of gallons of fuel produced and the amount of feedstocks, such as corn, soybean oil and animal fats, used in the production of ethanol and biodiesel, as well as other information required by law. The MDA reviews the applications and tracks incentive payments through the use of spreadsheets. Through fiscal year 2007, the MDA has approved over \$43.5 million in ethanol incentive payments and over \$4.25 million in biodiesel incentive payments. Although the MDA conducted audits of two ethanol producers in 2003, no other reviews related to ethanol or biodiesel incentives were initiated until November 2007.

The MDA, Animal Care Facilities Act Program (ACFA) failed to inspect 1,111 of 2,769 licensed animal care facilities in calendar year 2006 for which an annual inspection was mandated by state law. The ACFA also failed to inspect 61 of 160 licensed rescue facilities in calendar year 2006. Similar findings regarding inspections were also noted in our prior report issued in 2004. Furthermore, as noted in our prior report, the ACFA has not developed a formal risk based assessment procedure to identify licensed animal care facilities that pose a higher risk of noncompliance with animal care, health, and safety standards.

(over)

YELLOW SHEET

The MDA has not complied with a statutory requirement to perform an analysis and to adjust fees for the Device and Commodity Program, a program that tests certain scales and measuring devices and tests packaged quantities at milk processing plants. The MDA has adjusted some fees for the Animal Health Laboratories; however, further adjustments may be necessary. The MDA has not adjusted fees for the Plant Pest Control Program as authorized by statute. This program licenses and inspects nurseries, greenhouses, and sod farms for harmful pests and plant diseases.

The MDA has performed some fee analysis for other programs where fees are set by statute, but has not reported the results to the legislature for their consideration. There are several MDA programs for which the revenues generated by license, inspection, or membership fees are significantly less than the costs to operate the programs.

During February 2007, the MDA issued a check for \$70,000 from the Agriculture-Federal and Other Fund in an effort to settle the legal claims of a department employee. Under state law, legal claims against the state and covered employees are to be paid from the state's Legal Expense Fund, with the approval of the Attorney General's Office (AGO). Although the AGO agreed to represent the MDA in December 2006, the department approved this payment without the AGO's assistance. This payment not only contradicted state law, it was also inconsistent with the purpose for which the federal and other fund was administratively created and the intent of the appropriations of the fund.

Also included in the audit report are recommendations related to the petroleum device and safety inspection program, the commercial feed inspection program, treated timber licensing and inspection, and the state mediation grant. Some of our current recommendations related to the commercial feed inspection program were also included in a prior report on that program issued in 2002.

All reports are available on our Web site: www.auditor.mo.gov

DEPARTMENT OF AGRICULTURE

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Don Steen, Director
Department of Agriculture
Jefferson City, Missouri

We have audited the Department of Agriculture, excluding the Missouri State Fair and the State Milk Board, which are reported on separately. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006. The objectives of our audit were to:

1. Determine if the department has adequate internal controls over significant management and financial functions.
2. Determine if the department has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit reports were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Agriculture.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
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	Tina Gildehaus
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF AGRICULTURE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Ethanol and Biodiesel Incentive Programs
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The MDA has not conducted adequate audits or reviews of ethanol and biodiesel incentive producer grant applications. Through fiscal year 2007, the MDA has approved over \$43.5 million in ethanol incentive payments and over \$4.25 million in biodiesel incentive payments. Those payments are based upon applications submitted and self-certified by the producers.

The MDA administers the Missouri Qualified Fuel Ethanol Producer Incentive Program established in 1988 under Section 142.028, RSMo. The MDA estimates that through fiscal year 2014, future ethanol incentive payments will total over \$77 million. Producers are eligible for incentive payments for a period of sixty months. Ethanol producers, using Missouri agricultural products, qualify for an incentive of 20 cents per gallon of fuel ethanol for the first 12.5 million gallons produced annually and 5 cents per gallon for the next 12.5 million gallons. In 2005, the ethanol incentive program was extended through December 31, 2015.

The Missouri Qualified Biodiesel Producer Incentive Program was established in 2002 under Section 142.031, RSMo. Biodiesel producers qualify for incentives of 30 cents per gallon on the first 15 million gallons produced annually and 10 cents per gallon on the next 15 million gallons. The MDA estimates that future biodiesel incentive payments through 2014 will total \$284 million. In 2007, potential biodiesel producers were required to register with the MDA by September 1, 2007, begin construction of the facility before November 1, 2007, and begin production before March 1, 2009, to participate in the program.

Producers submit monthly applications to the MDA that include the number of gallons of fuel produced and the amount of feedstocks, such as corn, soybean oil and animal fats, used in the production as well as other information required by law. The MDA reviews the applications and tracks incentive payments through the use of spreadsheets. We tested their calculations and it appears, based upon the information in the grant applications and the spreadsheets, the incentive payments are calculated in accordance with statutory provisions.

In 2003, the MDA conducted audits of producer records to substantiate or verify the information on the applications of two ethanol producers, each covering a three month period in late 2002. The MDA auditors concluded that the information related to grant payments in grant applications submitted by the two producers for the three month period reviewed were supported by adequate purchase and production records. These two audits were conducted in conjunction with regulatory audits of the facilities' grain dealer

licenses and each required approximately two working days to complete. The MDA did not initiate any other audit efforts of incentive payments until 2007.

All four of the ethanol producers participating in the incentive program are licensed grain dealers. The MDA conducted annual grain regulatory audits of those dealers, but did not review ethanol production records or producer applications for ethanol incentives. The division director of the MDA's grain regulatory division indicated they could have performed additional reviews of grant applications and producer records if they had been requested to do so.

In fiscal year 2008, the MDA received authorization to hire one compliance auditor whose duties, in part, would be reviewing ethanol and biodiesel producer grant applications and records. In November 2007, the MDA initiated plans to conduct audits on a periodic basis for all ethanol and biodiesel producers. The MDA should perform audits or reviews of ethanol and biodiesel incentive grant applications and supporting producer records to ensure ethanol and biodiesel incentive payments are in accordance with statutory requirements.

WE RECOMMEND the MDA audit or review ethanol and biodiesel incentive grant applications and supporting producer records to ensure incentive payments are in accordance with statutory requirements.

AUDITEE'S RESPONSE

We agree. However, only three ethanol or biodiesel producers received incentive grant payments prior to FY2007. As noted by the State Auditor, in the fall of 2007 we implemented a program to make more frequent audits of incentive grant payments. Every producer that received grant payments prior to January 1, 2008, has been audited at least once. No significant discrepancies were found in these audits.

MDA will continue to make annual or more frequent audits of every qualified ethanol or biodiesel producer during the 60-month period each producer receives incentive payments.

2.

Legal Settlement

During February 2007, the MDA issued a check for \$70,000 from the Agriculture-Federal and Other Fund in an effort to settle the legal claims of a department employee. Under Section 105.711, RSMo, legal claims against the state and covered employees are to be paid from the state's Legal Expense Fund, with the approval of the Attorney General's Office (AGO). It appears the issuance of the check from the MDA Federal and Other Fund was improper.

In May 2006, a department employee, alleging sexual harassment and discrimination by the department director, filed a grievance with the Missouri Commission on Human

Rights (MCHR). The department requested assistance from the AGO but were informed that the AGO's policy was to become involved only after the MCHR process was complete. In November 2006, department officials and the employee entered into mediation and a tentative settlement of \$70,000 for the employee and \$12,500 for attorney fees was reached. In December 2006, following the conclusion of the MCHR process, the AGO indicated it was now appropriate for them to provide representation.

A check in the amount of \$70,000 payable from the Agriculture-Federal and Other Fund was approved and issued by the MDA in February 2007, in an attempt to settle the matter. The payment was in contradiction to Section 105.711, RSMo, which requires legal claims to be paid from the State Legal Expense Fund. Payments from this fund require the approval of the AGO. Although the AGO agreed to represent the MDA in December 2006, the department approved this payment without the AGO's assistance. This payment not only contradicted state law, it was also inconsistent with the purpose for which the federal and other fund was administratively created and the intent of the appropriations from that fund.

The settlement offer was rejected by the employee and the check was never presented for payment. Eventually on October 10, 2007, the lawsuit was settled with the assistance of the AGO by a payment of \$82,500 from the State Legal Expense Fund.

WE RECOMMEND the MDA, in the future, ensure settlements of all legal claims are in accordance with state law and after appropriate consultation with the AGO. Further, the department should ensure all payments from its federal and other fund are consistent with the intent of the fund and its appropriations.

AUDITEE'S RESPONSE

We disagree with the findings. The Missouri Department of Agriculture (MDA) recommends the insertion of the following facts. Beginning May 23, 2006, and proceeding for many days, the MDA asked the Attorney General's office for legal counsel as the MDA had no legal staff. By statute, the Attorney General's office is to provide legal support on behalf of its client, the State. It was only after a settlement had been reached in November 2006 that the Attorney General's office suddenly agreed to provide legal counsel in December 2006. In addition, under state statute 105.711, State Legal Expense Fund, there was never any dispute as to whether this settlement qualified. The only question was that under the circumstances of the Attorney General's office refusing to represent its client, MDA, when would the MDA be reimbursed for the transaction and how would the MDA bridge the obligation until state legal expense funds came through?

However, there is no known recourse when the Attorney General's office refuses to represent its client. Furthermore, in all prior personnel cases up to the Elder case, the Attorney General's office always assumed the counsel role for the MDA.

The MDA is pleased that this lack of action did create a catalyst for the legislature to fund and approve budget additions in the 2007 budget year. This provided the necessary support for our department to hire in-house legal counsel.

In addition, in Fiscal Year 2006, the appropriations language was broadened to say "for the purpose of funding federal grants and other grants or donations which may become available between sessions of the general assembly." This revised language was also included in Fiscal Year 2007.

3.

MASBDA Odor Abatement Grant

During 2007, the Missouri Agricultural and Small Business Development Authority (MASBDA) issued grants totaling \$500,000 under the Livestock Odor Abatement Program. The method of payment to the grantees was not in accordance with the written grant agreements.

The Livestock Odor Abatement Program was authorized by the legislature for fiscal year 2007, and funded by an appropriation from the state's General Revenue Fund. The MASBDA solicited proposals and entered into grant agreements with three entities; a private company, the University of Missouri-Columbia (UMC), and the University of Missouri-Rolla (UMR) (currently Missouri University of Science and Technology) for \$350,850, \$111,000, and \$38,250, respectively.

The grant agreements limited grant payments to no more than one a month and required copies of supporting documents for expenditures. The private company received a payment of \$105,255 on April 19, 2007, eight days after the grant agreement was signed, a payment dated June 8, 2007, for \$157,882, and another payment dated June 22, 2007, for \$87,715. This company submitted an interim report dated June 15, 2007, that indicated project expenditures up to that date totaling \$375. UMC received all their funds in three payments dated June 26, 2007, totaling \$110,897, and had submitted an interim report dated June 20, 2007, indicating some equipment had been ordered and some possible sources for materials had been located. UMR received one payment dated June 12, 2007, and two payments dated June 22, 2007, all totaling \$38,250, and had submitted an interim report on June 20, 2007, indicating potential vendors had been identified, one potential site had been visited, and a design guidance document in draft form was nearly complete. Final reports on the results of all of these grants are not due until late 2008 or early 2009.

None of these payments complied with the terms of the grant agreements, and none of the interim reports included documentation supporting the minimal amount of expenditures that had been incurred at that time. The payments were processed by the MDA with little, if any, evidence that the intent or purposes of the grants had or would be met. The financial management and oversight controls intended by the grant provisions were deemed meaningless and ineffective.

The executive director of MASBDA indicated it was necessary to make the payments prior to fiscal year end to prevent the appropriated funds from lapsing. The contracts indicated the grant funding would be provided on a reimbursement basis as expenditures were incurred by the grantees; however, the MASBDA issued the full grant amounts prior to any significant expenses being incurred by the grantees. The MASBDA should ensure the method of payment is in accordance with any grant agreements and require adequate documentation prior to disbursing any grant funds.

WE RECOMMEND the MDA require MASBDA ensure the method of payment is in accordance with the grant agreements and required documentation is submitted prior to disbursing grant funds. Further, the MDA and the MASBDA should continue to monitor these grants to ensure all objectives, purposes, and results are achieved.

AUDITEE'S RESPONSE

We agree in part with the findings. House Bill 14, Supplemental Budget, was signed on March 22, 2007, for the Missouri Agricultural and Small Business Development Authority (MASBDA) to receive a one-time \$500,000 budget authority for the funding of Odor Abatement Competitive Grants. MASBDA did solicit grant proposals for the development of odor abatement systems which would measurably decrease odor. The grants were awarded on a competitive basis based on published funding criteria.

The Livestock Odor Abatement Grant Program solicitation for proposals stated, "Some monies for start-up costs of the grant project may be provided on a case-by-case basis. The final payment shall be no less than 1/4 of the total grant and shall not be paid until receipt and approval of the comprehensive final report. Each of the three projects did request and receive start-up cost grant payments. The final payment to each of the three was no less than 1/4 of the total grant.

The grant agreements did in fact state that grant payments would be disbursed not more often than once a month. That was written into the agreement for the benefit of MASBDA so as to limit the grant administration disbursement time and expense. With only three grants to administer making two payments in one month to one project was deemed not to be an administrative burden.

MASBDA board of director's review, evaluation, and award of the Livestock Odor Abatement Grants determined that the proposed odor abatement projects submitted and awarded would require a long-term monitoring phase to determine the viability for commercial application. The comprehensive final report could not be submitted, perhaps for up to two years.

In addition, the board determined that requiring the project applicant to wait on the final payment, contingent upon receipt of a comprehensive final report, would be an undue onerous contingency. Therefore, in negotiating the grant agreement a comprehensive final report was not required for final payment as originally printed in the grant proposal solicitation.

MASBDA staff continues to monitor the grants through on-site visits, written updates, and meetings with the project coordinators.

If MASBDA receives budget authority in the future we will continue to make every effort to ensure grant payments are disbursed in accordance with proposal solicitations, any signed grant agreements, and the intent of the budget authority.

4. Analysis of Fees

The MDA has not complied with a statutory requirement to perform an analysis and to adjust fees for the Device and Commodity Program. The MDA has adjusted some fees for the Animal Health Laboratories; however, further adjustments may be necessary. The MDA has not adjusted fees for the Plant Pest Control Program as authorized by statute. The MDA has performed some fee analysis for other programs where fees are set by statute, but has not reported the results to the legislature for their consideration. There are several MDA programs for which the revenues generated by license, inspection, or membership fees are significantly less than the costs to operate the programs.

- A. The MDA conducted two series of fee analyses in 2005. The MDA identified three programs for which fees could be increased by regulatory or rule changes. The additional fees would have generated additional revenues of about \$742,000 annually. The proposed fee increases were presented to the MDA director's office where they were rejected. The additional fee revenues would have reduced General Revenue funding requirements for the programs. The following table lists the programs, fiscal year 2007 revenues and expenditures, and the amount of expenditures not recovered from fees.

Program	Revenues	Expenditures	Expenditures Not Recovered from Fees
Device & Commodity	\$341,371	\$ 845,649	\$504,278
Animal Health Laboratories	\$438,903	\$1,016,463	\$577,560
Plant Pest Control	\$136,943	\$ 423,304	\$286,361

The Device and Commodity Program tests commercial licensed scales and measuring devices and tests packaged quantities at milk processing plants. The program licenses about 22,000 devices annually. The fees for this program were last adjusted in 1994. Section 413.225, RSMo, requires the director of agriculture to annually ascertain the receipts and expenses for the testing of weighing and

measuring devices and to fix those fees to derive revenue not more than the cost of the operation, but not less than the minimums established by statute.

The Animal Health Laboratories perform and charge for testing of samples submitted by private veterinarians, including out-of-state veterinarians. Tests that are mandated by the MDA are performed at no charge. The labs perform about 262,000 tests annually for which fees are charged. The labs do not separately track labor and overhead costs between the mandated and chargeable activities and tests. The fee analysis prepared in 2005 proposed increasing the laboratory fees; however, no action was taken at that time. Some fees for testing were adjusted or established in 2006; however the MDA did not revise the state regulations accordingly. The MDA has prepared a proposal for fiscal year 2009 that would increase 159 laboratory fees, decrease eight laboratory fees and establish seven new laboratory fees. The MDA estimates the adjusted fees would result in an additional \$94,000 annually. Section 267.122, RSMo, gives the state veterinarian the authority to assess laboratory fees to assist in defraying operating laboratory expenses.

The Plant Pest Control Program licenses and inspects plant and tree nurseries, greenhouses, and sod farms for harmful pests and plant diseases. The program licenses about 2,850 businesses annually. The fees for this program were last adjusted in 1992. Section 263.070, RSMo, authorizes fees to be revised from time to time to reflect the actual cost of these inspections.

The MDA should consider adjusting fees for the abovementioned programs as required or authorized by state statute. Fee adjustments could make the programs more accountable for their operations and ease the burdens on the state's General Revenue Fund for these programs.

- B. The MDA has several other programs that are partially funded from license, inspection, and or membership fees in which program expenditures exceed fee revenues. The MDA had performed a fee analysis for several programs in 2005 but did not propose any adjustments to the fees or report the results of the analysis to the legislature. The fees for these programs are generally set forth in regulations or statutes and some changes would require legislative action. Additional fee revenues would reduce General Revenue funding requirements for the programs. We noted four programs in which the expenditures greatly exceeded the revenues. The following table indicates the program, fiscal year 2007 revenues and expenditures, and the amount of expenditures not recovered by program fees.

Program	Revenues	Expenditures	Expenditures Not Recovered from Fees
Grain Regulatory Services	\$ 47,438	\$709,975	\$662,537
Animal Care Facility Inspection	\$502,099	\$640,852	\$138,753
AgriMissouri	\$ 59,097	\$221,045	\$161,948
Treated Timber	\$ 29,209	\$ 48,666	\$ 19,457

The Grain Regulatory Services Program licenses and monitors compliance with the state grain and grain warehousing laws and the financial position of grain storage warehouses and grain dealers under Chapters 411 and 276, RSMo. The grain warehouses pay an annual license fee ranging from \$100 to more than \$2,300 based upon their storage capacity and an annual examination fee. A fee may be imposed for any subsequent examinations deemed necessary by the MDA in the year if discrepancies are found. The annual fee for a grain dealer's license is \$40. Grain dealers may be assessed a fee for special or requested examinations. State law limits the examination fees to mileage, travel expenses of the grain auditors, and \$20 per man-hour. There are about 200 licensed grain warehouses which are also licensed as grain dealers and 200 grain dealer only licensees. The fees for grain warehouse licenses were last adjusted in 1977 and fees for grain dealer licenses and warehouse and dealer examinations were last adjusted in 1997. Any changes in the fees for this program would require legislative action.

The Animal Care Facility Inspection Program licenses and inspects commercial pet breeders under Chapter 273, RSMo. The statutes set fee limits of \$100 to \$500 annually. The MDA established through regulation a base fee of \$100 for all licensees except those exempt by statute and a per capita fee of \$.10 to \$1 per day or per animal as applicable. The base fee and the per capita fees could be increased by a change in regulation; however, increasing the maximum limit would require legislative action. There are about 2,500 licensees that are not exempt from license fees under this program. Fees have not been adjusted since the program was established in 1993.

The AgriMissouri Marketing Program was established in 1985 to promote Missouri agricultural products. Businesses participating in the program pay an annual membership fee between \$30 and \$50 that was initiated in 2004. Section 261.235, RSMo, initially adopted in 2000, authorizes the collection of a trademark fee of ½ percent of wholesale sales of products using the AgriMissouri trademark if the Citizens' Advisory Commission for Marketing Missouri Agricultural Products (CACMMAP) adopts the trademark fee. The CACMMAP has not adopted the trademark fee. There are about 250 businesses participating in the AgriMissouri program. To fully cover expenditures of the AgriMissouri

program, the CACMMAP would need to take action to change the membership fees or adopt the trademark fee.

The Treated Timber program licenses treated timber producers and dealers under Chapter 280, RSMo, and performs sampling of finished products to determine they meet or exceed treatment standards. The annual license fee for producers is \$200 and for dealers is \$15. There are about 75 producers and 885 dealers licensed under this program. The license fees have not been adjusted since they were established in 1985. Any changes in fees for this program would require legislative action.

The MDA should perform an analysis of fees and expenditures for all fee funded programs, consider adjusting fees where possible by administrative action to cover program costs, and report the results of the analysis to the legislature for consideration of legislative changes that would make the applicable programs more accountable for their costs.

- C. We noted the analysis discussed in part A above included a proposal to establish a fee of \$25 for the issuance of a certificate of free trade that is issued by the Agriculture Business Development division. This proposed fee, like other proposed fee changes, was not acted upon.

The division issues certificates to companies who request them to meet the requirements for exporting goods to some foreign countries. Currently, there is no fee for the certificates. The MDA estimated the fee would generate about \$60,000 annually which would approximate the costs related to issuing the certificates. The MDA indicated this program was established under Section 261.095, RSMo, which gives the department responsibility for foreign market development of agricultural products. The MDA should evaluate their options regarding the establishment of a fee for the issuance of certificates of free trade and act accordingly.

WE RECOMMEND the MDA:

- A. Evaluate the need to adjust fees for the Device and Commodity Program, the Animal Health Laboratories, and the Plant Pest Control Program as required or allowed by statute to more adequately cover the costs of the programs.
- B. Perform an analysis of fees and expenditures for all fee funded programs, consider adjusting fees where possible by administrative action to cover the programs' costs, and report the results of the analysis to the legislature for their consideration.
- C. Initiate whatever actions are deemed necessary to establish an appropriate fee for the issuance of certificates of free trade.

AUDITEE'S RESPONSE

Although the department does not agree with all of the points made in the four page discussion of the Analysis of Fees finding, MDA does agree in principle with the Auditor's recommendations regarding the need to evaluate, adjust, and establish fees as appropriate. However, we also believe it's important to recognize that in many instances fees were never intended to cover all of a program's costs.

The department has made a sustained effort over a number of years to evaluate and adjust existing fees as well as establish new fees when appropriate. In fact, the Auditor's finding is based primarily on the department's previous analyses of fee revenues. It is important to note that the MDA made significant efforts to adjust the fee structure in recent legislative sessions.

The Auditor identifies concerns with a few of the department's fees. For context, however, the department currently administers over 30 different fee funds whose revenues accounted for over 63 percent of the department's operating expenditures in Fiscal Year (FY) 2007. In addition, the department administers more than 15 different fees where the revenues are deposited into the state's General Revenue Fund. These General Revenue (GR) fee revenues totaled \$1,853,908 in Fiscal Year 2007, equal to 20 percent of MDA's GR expenditures that year (excluding pass-through funding to biofuel plants).

In response to the Auditor's particular recommendations:

- A. *The department continues to evaluate and adjust its current fee structures and program expenditures. For example, as part of the FY 2009 budget the department requested and received an appropriation for an additional \$150,000 in Animal Health Laboratory Fee funds. This will allow the department to expend the additional revenue anticipated from increases in laboratory fees scheduled to take effect in FY 2009.*

Only about 60 percent of the Device and Commodity Program's responsibilities have any associated fees. FY 2007 fee revenues totaled \$341,369 and accounted for 67 percent of the associated program costs. Since there are clearly consumer benefits to the program's milk price, egg quality, and scale accuracy inspections, MDA believes it's reasonable for the general public to pay some portion of the program's costs. However, the optimal level of that public support is subject to debate. Therefore, in consultation with the Governor and the General Assembly, the department will continue to evaluate and adjust these fees as appropriate.

The Plant Pest Control Program is one of several Division of Plant Industries' programs where fee revenues are deposited into the General Revenue Fund. The department's most recent analysis shows that fee revenues exceeded program costs for three of the six categories of Plant Industries' GR fees. For the division as a whole, fees covered about 80 percent of program costs in FY 2007. Since there are clearly consumer benefits to the division's plant pest control, pesticide regulation, feed, seed, treated timber, fresh fruit and vegetable inspections, MDA believes it's reasonable for the general public to pay

some portion of these programs' costs. However, the optimal level of that public support is subject to debate. Therefore, in consultation with the Governor and the General Assembly, the department will continue to evaluate and adjust these fees as appropriate.

- B. The department continues to work with the Governor and the General Assembly to identify appropriate levels of existing fees and the need for any new fees. As part of the FY 2009 budget process the department provided the Governor and appropriation committees with an extensive evaluation of its FY 2007 fee revenues. The department also supported legislation in the most recent session that included an increase in pesticide registration fees (HCSSB 931) and an increase in grain dealer and warehouse fees (SB 1111). Although the department does not make these decisions unilaterally, we continue to advocate for appropriate fee structures throughout the department.*
- C. The Ag Business Development Division provides many services to assist Missouri's agricultural-related exporters in developing and expanding their export sales. All of its export services are provided free-of-charge. Charging for the Certificates of Free Sale would send a mixed message to Missouri's agricultural exporters. On one hand we are encouraging them to increase their export sales and at the same time requiring they pay a fee that will make them less competitive.*

Charging a fee would require extra time and expense from the exporter, the Ag Business Development Division and the Missouri Department of Agriculture's fiscal office. At times Certificates of Free Sale are needed on a very short notice and requiring companies to pay for the service could slow the export process.

In order to track the value of the free Certificate of Free Sale service, the Division requests Missouri's farms and firms share with us the value of their export shipment. As a result, Missouri's agricultural product exporters report approximately \$27 million dollars in export sales. The Ag Business Development Division believes the State's investment in its export services, including preparing for Certificates of Free Sale, returns tax revenue to the state through jobs and business profits.

5. Petroleum Device and Safety Inspection Program
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The Missouri Department of Agriculture (MDA) does not require unsafe fuel storage and dispensing devices identified during inspections to be removed from service. The petroleum device inspection and violation tracking system should be revised to include additional violation codes and to record enforcement actions taken.

The Petroleum Device and Safety Inspection Program (PDSI), established under Section 414.052, RSMo, inspects petroleum storage and dispensing facilities, including retail gas stations, bulk storage facilities, terminals, marinas, and airports. The PDSI determines if these facilities are safe from fire and explosion and not likely to cause injury to adjoining property or to the public. In addition, the inspection also determines that the fuel delivery

systems are accurately measuring the volume of fuel and pricing the sale correctly. The PDSI is required by law to inspect retail facilities at least every six months and marinas at least once per year. The PDSI is funded through the Petroleum Inspection Fund from fees of 2.5 cents per 50 gallons of petroleum products sold in the state. In fiscal year 2007, the program expended about \$1.4 million and employed 20 inspectors and five administrative staff.

We obtained information from the PDSI inspection and violation tracking system for the period January 2005 through September 2007, to determine the interval between inspections for each facility. We noted that the interval between inspections was less than 365 days for over 99 percent of the inspections. In other words, each facility has been subjected to at least two inspections within any given one year period. The PDSI management indicated that performing two inspections within one year met the statutory requirement for inspections at least every six months. We also noted that 99 percent of the inspections of marine facilities occurred within 730 days of the previous inspection, or at least twice within a two year period, which according to PDSI management met the statutory requirement that marine facilities be inspected annually.

During these inspections, there were 6,618 (1.8 percent) of 368,030 pumps that were removed from service due to inaccurate volume or pricing issues. Upon completion of the inspection, the facility is given a copy of the inspection report which includes notice of the violations. The program summary information also included the number of violations by category that were issued as a result of the inspections. There were a total of 31,944 safety violations cited, of which 8,863 were classified as serious violations based on the MDA's criteria.

- A. The PDSI adopted an enforcement matrix in 2005 that required inspectors to order the removal of defective pumps, storage tanks, and other equipment from service either immediately or within 30 or 90 days depending upon the seriousness of the detected violation. The violations are assigned one of 39 violation codes by office staff who enter the violation information into the inspection and violation tracking system. The PDSI indicated that nine of the codes are assigned a Class I ranking and are considered a serious safety concern.

We analyzed the inspection data and selected a sample of 25 of the 532 inspections performed in January 2007 through September 2007, which noted at least one serious violation. We requested the PDSI provide the inspection report and other documentation to indicate that the inspector took action to remove the defective device from service as required. We determined that one of the facilities was a bulk plant and PDSI staff indicated the enforcement matrix was not applicable to bulk plants although the noted violations were serious. We determined that for nine of the remaining 24 inspections (38 percent) with critical violations the PDSI inspector did not order the removal of the defective device(s) from service as required. These nine facilities had one to twelve serious violations cited, including no emergency venting on storage tanks; no or defective

fire impact valves; faulty wiring or fuel leaks; overfilled tanks, faulty overfill alarms or no overfill alarms; badly worn or leaky dispensing hoses; and storage tanks improperly connected.

PDSI management indicated that no enforcement action was taken for many serious violations in an area of the state served by one inspector whom they had identified as failing to perform inspections as required. A different inspector had been assigned to the area and instructed to cite the violations but not take enforcement actions until facility owners had reasonable time to make repairs. The PDSI program established a stronger enforcement policy in August 2007 under which facilities with serious violations must agree to fix the problems within a specified timeframe or PDSI will remove one-half of the facility's pumps from service. Continued failure to make the repairs will result in one-half of the remaining pumps to be removed from service. The MDA should ensure enforcement actions required by policy for serious safety violations are being taken in a timely and effective manner.

- B. Our tests also noted there were nine of the 24 inspections in which the violation code(s) were either incorrect or the violation was not a serious violation. The PDSI has only established 39 violation codes and program management indicated the number of codes is not adequate to allow the use of codes to differentiate between serious and minor violations. Additional codes should be established to allow serious and minor violations to be recorded separately and be more specific, such as no overfill alarm versus a defective overfill alarm which are currently recorded under the same code.

In addition, we noted the inspection and violation tracking system does not include information indicating the enforcement actions taken by inspectors or the timeframe the facility has to make repairs. The PDSI should include this additional information in the tracking system, and produce and analyze management reports to determine if required enforcement actions are being taken and serious violations are being corrected.

WE RECOMMEND the MDA:

- A. Ensure petroleum safety inspectors are ordering the removal of defective devices from service as required by department policy.
- B. Develop additional violation codes and include enforcement actions taken and timeframes for repair in the inspection and violation tracking system. Furthermore, the department should utilize that information to ensure enforcement actions are being taken and serious safety violations are being corrected as required.

AUDITEE'S RESPONSE

We agree with the findings that a better tracking system is warranted. On February 26, 2008, a request was sent to Information Technology (IT) staff requesting additional fields and coding be added to the current database tracking system. This project is expected to be completed by August 1, 2008. These modifications will work in conjunction with the new enforcement policy issued on January 22, 2008, treating all violations in the same manner regardless of severity.

6.

Animal Care Facilities Act Program

The MDA, Animal Care Facilities Act Program (ACFA) failed to inspect 1,111 of 2,769 licensed animal care facilities in calendar year 2006 for which an annual inspection is mandated under Section 273.331, RSMo. The ACFA failed to inspect 61 of 160 licensed rescue facilities in calendar year 2006. Furthermore, the ACFA has not developed a formal risk based assessment procedure to identify licensed animal care facilities that pose a higher risk of noncompliance with animal care, health, and safety standards.

- A. The ACFA licenses commercial dog and cat sellers, breeders, kennels, pounds, rescue facilities, transporters, and show and hobby registered animal care facilities under Chapter 273, RSMo. The program also establishes regulations under the Code of State Regulations (CSR) 2 CSR 30-9 which specify minimum standards for the licensing, care, health, and safety of animals held in those facilities. Under Section 273.331, RSMo, the ACFA is mandated to perform annual inspections of licensed facilities except those facilities that are licensed as hobby registered. The program reported that 1,111 (40 percent) of 2,769 licensed facilities for which an annual inspection was required were not inspected in calendar year 2006. Program management indicated that they were unable to perform the required inspections due to an insufficient number of budgeted inspectors along with the resources required to identify unlicensed facilities and perform complaint investigations.

In our prior report on this program, issued in December 2004, we noted ACFA inspectors were not able to perform inspections of over 70 percent of licensed facilities in the first nine months of 2004. The ACFA program, pursuant to a recommendation in that audit report, determined they would minimize duplication of effort by accepting the inspections performed by USDA federal inspectors as meeting the state mandate if the program was unable to perform a state inspection at the facility. During calendar year 2006, the work of federal inspectors accounted for about 40 percent and the work of state inspectors accounted for about 60 percent of the annual inspections that were performed.

The ACFA program should perform annual inspections of licensed animal care facilities as required by Section 273.331, RSMo.

- B. The ACFA has determined that licensed rescue facilities pose a lower risk of noncompliance with state standards for care, health, and safety, and, therefore, have placed a lower priority on inspecting those facilities. Rescue facilities generally have a low number of animals in their care and animals are housed in the licensee's home. During calendar year 2006, the ACFA failed to inspect 61 (38 percent) of 160 licensed rescue facilities. Neither state laws nor regulations make any exceptions to the annual inspection mandate for rescue facilities. A similar condition was noted in our prior report. The ACFA should perform annual inspections of licensed rescue facilities as required.
- C. The ACFA has not developed a formal risk based assessment procedure to ensure licensed facilities that have a higher potential of noncompliance with licensure and standard of care requirements are subjected to annual or more frequent inspections. Program officials indicated they have trained and directed inspectors to recognize facilities that pose a higher risk of noncompliance and subject them, at a minimum, to the required annual inspection. A formal assessment procedure should include such factors as the number and severity of violations cited during inspections, the length of time a facility has been licensed, the number of animals held, as well as the design of the physical facility including the presence of automated watering, feeding, ventilation, and waste disposal equipment. Such a risk based approach would allow inspection resources to be directed where they appear to be most needed or beneficial.

A similar condition was noted in our prior report. The ACFA program should develop a formal risk based assessment procedure to ensure inspections are performed at facilities which pose a higher risk of noncompliance with animal care standards.

WE AGAIN RECOMMEND the MDA ensure the Animal Care Facilities Act Program:

- A. Performs annual inspections of licensed animal care facilities as required by state law.
- B. Performs annual inspections of licensed rescue facilities as required.
- C. Develops a formal risk based assessment procedure to ensure inspections are performed at facilities which pose a higher risk of noncompliance with animal care standards.

AUDITEE'S RESPONSE

We agree with the findings. However, according to the audit report, twelve of seventeen recommendations have been fully implemented, four have been partially implemented, and one has not been implemented.

The following explanations should provide the latest account of our progress in meeting recommendations made by the State Auditor's Office.

- A. *Our workload continues to increase faster than our available staff resources. Our program has added 756 facilities but only 2 inspectors since the 2004 audit. Our staff cited 1,652 violations in 2004, 1,914 violations in 2005, 2,283 violations in 2006, and 3,156 violations in 2007. Inspectors have been instructed to point out every violation witnessed during an inspection, and the number of documented citations has increased significantly each year. This increase in numbers includes primarily new disclosed unlicensed sites that usually have numerous violations and therefore require more inspection time. There were 1,506 facilities inspected during calendar year 2005, 1,681 facilities inspected during calendar year 2006, and 2,282 facilities inspected during calendar year 2007. We continue to add facilities at a faster rate than we add staff. We are working toward inspecting 100 percent of the kennels 100 percent of the time and as noted in this audit we have increased from 30 percent in 2004 to 60 percent in 2006. Whenever violations are severe, action is taken to remove animals from harm's way, taking a large portion of our staff's time.*
- B. *It was the policy of the ACFA Program to conduct an initial pre-license inspection of all animal rescues followed by routine inspections on an as-needed basis which we felt was justified because of the housing methods employed by the typical animal rescue. We agree that animal rescues should be inspected annually or upon complaint.*
- C. *Current determination of high-risk facilities is informally calculated at the discretion of the inspector based upon per capita volume, open violations, complaints from the public, economic support functions of the entity, and the ability of the licensee and employees to care for the number of dogs involved. Also the department provides opportunities for producers to enhance their skills by participation in our education excellence seminars and the Blue Ribbon Kennel program. The seminars are 8 hour programs covering all aspects of canine care. As more licensees participate, this will allow more resources to be directed to problem facilities. As a result of the recommendation, we will ask the IT staff to research a formal risk-based approach based on the following criteria:*

 - 1. the number of non-compliant items*
 - 2. the number of repeat non-compliant items*
 - 3. the number of non-compliant items found to directly affect health and welfare*
 - 4. the number of animals / per capita reporting*
 - 5. inspector assessment*
 - 6. Blue Ribbon Kennel participation*
 - 7. Continuing education credits*

7.**Commercial Feed Inspection Program**

The MDA, Bureau of Feed and Seed, requires, on average, about eleven days from the date feed samples are taken to issue withdrawal from distribution orders to feed manufacturers, distributors, or retailers for products that failed to meet label guarantees. Bureau data indicated that about 60 percent of the entities receiving withdrawal orders reported all of the product had been sold prior to receiving the withdrawal order. About 82 percent by weight of the withdrawn products had been sold prior to receiving the withdrawal order. The bureau did not perform follow-up reviews of withdrawal orders. The bureau does not require feed manufacturers or label guarantors to notify other distributors and retailers that a withdrawal order has been issued on products of the same batch or lot shipped to those entities. The bureau has not established guidelines and timeframes for how many repeat and/or excessive failures to meet label guarantees warrant an administrative penalty.

The Bureau of Feed and Seed conducts the commercial feed licensing, inspection, and testing program established under Sections 266.152 to 266.220, RSMo. Feed samples are tested against the guaranteed values listed on the product labels. When a product fails to meet the guaranteed values, a withdrawal from distribution order is issued to the possessor and guarantor of the product. The method of correcting the failing product (re-processing, re-labeling, or destruction) must be approved by bureau staff through the issuance of a release from the withdrawal order. The possessor of the failed product must report the amount of product on hand or sold at the time the withdrawal order is received. The bureau publishes an annual report of sampling results which is distributed to licensed feed manufacturers, distributors, and retailers and is available to other interested parties upon request. The following table shows the historical compliance rate for regulatory samples for calendar years 2000 to 2006.

Compliance Rate History			
Year	Regulatory Samples	Number of Violations	Compliance Rate
2006	4,764	451	90.53%
2005	4,931	548	88.89%
2004	4,484	484	89.21%
2003	5,313	571	89.25%
2002	5,529	723	86.92%
2001	6,053	714	88.20%
2000	5,968	760	87.27%

As we have noted in previous reports, the processes involved in collecting and testing samples is unusually time consuming and many times the results of the tests have little or

no impact on the sale or use of the products tested. We noted the following concerns during our review of the commercial feed inspection program.

- A. We obtained sampling and testing data for all samples collected during calendar year 2006 from the bureau's database. There were 451 of 4,764 regulatory samples that failed to meet one or more label guarantees, such as percentage of protein, calcium, salt, fat, or various minerals. Bureau officials indicated that while these products did not meet the label guarantees, most products were not so deficient or excessive in a particular substance that immediate harm would result to animals consuming the product; however, continued use of the product could result in poor animal health and reduced growth rates.

Our analysis of the failed samples noted that the MDA required, on average, 11.3 days from the date the sample was collected until notification was made to the possessor to immediately stop distribution of the noncompliant product. The longest delay noted was 18 days. In a prior audit report issued in October 2002 regarding this topic, we noted the average delay between sampling and notification was also 11 days. Although, since our prior report, the bureau has changed some of its results notification procedures or practices, there has been little, if any, improvement in the time required to act on failed samples. Bureau officials indicated that they have considered other changes to the collecting and shipping of samples but have not acted on those considerations.

The time to test the samples and communicate the results has permitted a significant amount of the deficient products to be sold. We compared the amounts of product on hand at the time the sample was taken to the amount of product reported by the entities as having been sold prior to the receipt of the withdrawal orders. Of the 451 withdrawals, 273 (60.5 percent) entities reported the product had all been sold prior to the receipt of the withdrawal. In total, the 451 withdrawals affected 2.77 million pounds of products of which 2.27 million pounds (82 percent) were reported as sold prior to the receipt of withdrawal. The percentage by weight of withdrawn feed reported as sold has significantly increased from approximately 69 percent in 2001 to 82 percent in 2006. Our further analysis of the 2006 data found that if the time period from collection of the samples to notification to the processor could be decreased to 9 days, the percentage of deficient product sold would decrease to about 66 percent. Further, if that time period was reduced to 8 days, the percentage of product sold would be approximately 50 percent.

The Bureau should conduct a formal analysis of the sampling, testing, and notification process to identify if the current procedures and timing can be improved. To ensure the public receives the full benefits of the testing program, the bureau should take all available, reasonable measures to reduce the period of time required to sample, test and issue withdrawal from distribution orders.

- B. In response to a recommendation in our report, the bureau initiated procedures that would require timely follow-up inspections on withdrawal orders to ensure deficient feed products were disposed in accordance with state laws and regulations. These procedures included a plan to follow-up on 30 to 40 percent of all withdrawals. The bureau has performed virtually no follow-up reviews of withdrawal orders in the last two years and cited the cause as budgetary reductions in the number of inspectors from six to four. Until the bureau performs follow-up reviews, on at least some withdrawal orders, the bureau has no basis to determine if that procedure would be an effective enforcement tool and if feed manufacturers, distributors, and retailers are complying with state laws and regulations regarding the disposition of withdrawn products.

The bureau should develop and implement a plan to perform follow-up reviews of withdrawal orders and after a reasonable test period conduct an analysis of the results of the follow-up reviews to determine if they are an effective enforcement tool. A similar recommendation was made in our prior report.

- C. The bureau has not required feed manufacturers and label guarantors whose products have been found to be defective to issue recalls or to notify distributors and retailers of the withdrawal orders for products of the same lots or batches that have been shipped to those entities. As a result, large quantities of defective product may remain available for distribution and sale even after withdrawal orders have been issued. During 2006, the bureau detected three instances of seriously deficient or adulterated feed products. Even in these cases the bureau issued notices of violation and withdrawal orders to the three manufacturers but did not require the companies to recall the defective products. The bureau should establish formal policies regarding mandatory product recalls.

A similar recommendation was made in our prior report.

- D. The bureau has not imposed any administrative penalties for failure to meet label guarantees. Under 2 CSR 70.30.110, administrative penalties may be imposed for serious violations which include selling adulterated products and repeated and/or excessive failures to meet label guarantees. We noted five companies in the 2006 Annual Feed Summary whose products were tested at least ten times and the companies' overall compliance rate was below 70 percent. Other than directing feed inspectors to meet with company officials to discuss the compliance problems, the bureau took no other actions against these companies.

We reviewed the sampling data for 2007 through September 2007 and noted one of these five companies had a continuing compliance problem, failing 5 of 12 samples for a compliance rate of approximately 58 percent. No enforcement action has been taken against this company.

Additional enforcement actions could include requiring companies with a pattern of noncompliance to prepare a corrective action plan or to obtain independent third party testing of labeling guarantees prior to shipment. The bureau should establish guidelines and timeframes for how many repeated and/or excessive violations warrant additional enforcement actions and/or administrative penalties.

A similar recommendation was made in our prior report.

WE RECOMMEND the MDA, through the Bureau of Feed and Seed:

- A. Take all available, reasonable measures to reduce the period of time required to sample, test, and issue withdrawal from distribution orders.
- B. Develop and implement a plan to perform follow-up reviews, at least on a sample basis, of withdrawal orders and, after a reasonable test period, conduct an analysis of the results of the follow-up reviews to determine if they are an effective enforcement tool.
- C. Establish formal policies regarding mandatory product recalls.
- D. Establish guidelines and timeframes for how many repeated and/or excessive violations warrant additional enforcement actions and/or administrative penalties and impose such actions and penalties.

AUDITEE'S RESPONSE

- A. *We agree with the findings. We should always be looking to increase efficiency and decrease turnaround time and the Commercial Feed Inspection Program has done just that, by maintaining the average 11 day turnaround rate with a 33 percent staff reduction. Missouri has one of the lowest turnaround times in the nation. Of the 12 states responding with similar programs, we found a range of 14 to 180 days and an overall average of 49 days from sampling to completed tests.*
- B. *We agree with the findings and will develop documentation procedures for follow-up reviews. The feed and seed bureau feels the inspectors could reasonably review 8 percent of the violations at the current staffing levels.*
- C. *Our response stands from the previous audit report. We agree with the findings that serious adulteration of feed products need immediate withdrawals and notification to retail distributor and manufacturer. However, we disagree that situations of minor deficiencies that do not pose serious or economic problems do not warrant this kind of immediate action. Also, the question exists as to whether we have statutory authority to ask for a company recall of product. Of the three instances cited in 2006, all remaining product was destroyed.*

- D. *We agree in part with the findings. We feel that having inspectors meet with company officials to discuss compliance problems has been an effective tool. As shown in the report, compliance rates have increased since the last audit in 2002 from 86.92 percent to 90.53 percent in 2006. Five companies were shown to have compliance problems in 2006 with just one company with a continuing problem in 2007. We did address the problem with the company and saw an increase in compliance in 2007; however, it has still been deficient. This was not addressed as aggressively as possible due to staff vacancies at management level in 2007. We will use American Feed Control Officials (AAFCO) matrix as a guideline for enforcement. We feel the regulation 2 CSR 70-030.110 is clear on additional enforcement action and/or administrative penalties.*

8. Treated Timber Licensing and Inspection

The MDA does not aggressively enforce the Missouri Treated Timber Law established under Chapter 280, RSMo. As a result, purchasers of treated timber products have less assurance that the products meet minimum standards for penetration and retention of wood preservatives. The MDA has limited the enforcement of the treated timber law to issuance of stop sale orders which affect only the lot from which substandard samples are taken. The MDA has not suspended or revoked licenses of companies whose products consistently fail to meet treatment standards, referred substandard companies to law enforcement officials for prosecution, sought injunctions to stop substandard companies from producing treated timber, or sought condemnation of the defective products through the courts.

Missouri is one of only three states that regulate treated timber. The original treated timber law was enacted in 1961. There were 73 licensed producers and about 885 licensed dealers in fiscal year 2007. We noted the following concerns during our review of the treated timber program.

- A. The inspection program includes taking and testing physical samples of treated timber where located, either at the producer or the dealer. The samples are tested against the minimum level of penetration and retention as indicated on the label or the minimum standards in the regulation if the products are not otherwise labeled. For each sample lot for which at least 80 percent of the samples do not meet the depth of penetration as labeled or the minimum treatment standards, a stop-sale order is issued to the holder of the product and the producer is notified if the product is located at a dealer location. The sample lots are also tested for preservative retention and any lot that does not meet the retention as labeled or the minimum standard results in a stop-sale order. The MDA must approve of the method of disposal of the stop-saled product which is usually re-treatment by the Missouri producer or removal of the product from the state by out-of-state producers.

In addition to the issuance of stop-sale orders, the MDA, under 2 CSR 70.40, requires that at least 80 percent of each series of 10 sample lots pass inspection. Warning letters are sent to producers who fail to meet the 80 percent requirement. Failure of the producer to meet the 80 percent requirement in two consecutive sample lots of 10 should result in administrative hearings and possible suspension or revocation of their treated timber license.

We obtained a report of the sampling results for the period of January 2003 to July 2007. There were eight companies for which at least two consecutive sample lots of 10 samples had been tested. Six of the eight companies failed to attain a compliance rate of 80 percent. Their compliance rates ranged from 29 to 71 percent. None of the six companies with compliance rates below 80 percent have been subjected to administrative hearings, suspension or revocation of their license, referred for prosecution nor has an injunction been sought by the MDA as allowed by Chapter 280, RSMo.

According to Section 280.130, RSMo, failure to adhere to treatment standards is a Class B misdemeanor punishable by a fine of up to \$500 and or six months in jail. Under Section 280.100, the MDA is authorized to seek condemnation of products that do not meet treatment standards. Section 280.140 authorizes the MDA to seek injunctions restraining non-compliant companies who violate or continue to violate treatment standards. The MDA has never referred a non-compliant company for prosecution or sought injunctions or condemnation of defective products.

The MDA should hold administrative hearings to consider licensure suspension or revocation for companies whose products consistently fail to meet treatment standards. For companies that continue to violate provisions of the Treated Timber Law, the MDA should consider referral for prosecution or seek injunctions or condemnation of defective products.

- B. The MDA standards incorporate the treatment standards of the American Wood Protection Association (AWPA), version 2004. However, for some treated timber products, such as red oak, sold in Missouri, the minimum treatment standards are set lower than the AWPA standards if the producer appropriately labels the treated product. Products that are treated to less than the AWPA standards will be subject to a shorter useful life than products treated to those standards. The MDA should consider requiring all products to be treated to AWPA standards.
- C. We compared the sampling list for 2003 through 2007 to the list of licensed producers for 2007 and noted one of the 15 Missouri companies had not had its products subjected to sampling. We also noted that 28 of 58 companies with an out-of-state address had not had any products subjected to sampling. The inspector indicated: 1) he either did not locate those companies' products at dealers; 2) when located the lot sizes were not large enough for valid results; or 3)

testing would have destroyed the value of the product. The MDA should ensure all Missouri treated timber producers are included in the sampling and testing program. In addition, the MDA should request licensed out-of-state producers to provide a listing of dealers in Missouri handling their products so that the products can be located and sampled.

WE RECOMMEND the MDA:

- A. Enforce the Missouri Treated Timber law and hold administrative hearings to consider licensure suspension or revocation for companies whose products consistently fail to meet treatment standards.
- B. Consider requiring all treated timber products to meet the minimum standards established by the American Wood Protection Association.
- C. Ensure all Missouri treated timber producers are included in the sampling and testing program. In addition, the MDA should request licensed out-of-state producers to provide a listing of dealers in Missouri handling their products so that their products can be located and sampled.

AUDITEE'S RESPONSE

- A. *We agree with the findings. The Missouri Treated Timber Law should be enforced and wood treating companies who fail to maintain the required sample conformance rate should be held accountable. However, this program currently has only one employee who is responsible for conducting inspections throughout the entire state. In order to increase efficiency of this program, the Department's IT staff is developing a new Treated Timber database that will provide the ability to better monitor sample conformance rates and inspection data. It is also the intent of MDA to introduce an incentive to wood treating companies to improve overall compliance by making sample conformance rates available on the Department's website. Consumers, as well as retail and wholesale businesses that purchase treated wood products will be able to view this information to better determine which companies are producing quality products based on the company's sampling history. The Department has worked with wood treating companies to increase compliance with the law instead of license revocation and suspension. The Department has also made an attempt to modify the statute associated with the Missouri Treated Timber Law in 2006 and again in 2007. MDA would like to have the ability to impose civil penalties against timber treating companies who fail to improve their sample conformance rates to acceptable levels instead of license revocation and suspension. The two legislative proposals have not been a priority with the General Assembly.*
- B. *We do not agree with the findings. Requiring all wood treating companies to meet the minimum Treating standards established by AWPA would create an undue hardship on smaller facilities. Missouri has a history of allowing these particular facilities to treat hardwood products to less than AWPA standards. Hardwoods, by their very nature, are*

more naturally resistant to premature rot and decay than softwood species. In addition, these facilities claim that species such as white oak and red oak are difficult to treat under the best of conditions and that they would be unable to treat these products to AWP standards. There are eight (8) of these facilities located in Missouri that currently treat hardwood products for farm use. Combined gross sales from these facilities are estimated at \$3.3 million.

- C. *The Department agrees with the findings that all licensed wood treating facilities should be sampled as fairly and consistently as possible. However, some of the wood treating facilities required to be licensed with MDA only produce “commercial” products such as railroad ties and utility poles. These products are typically shipped to utility and railroad companies which have their own quality controls. Inspections are conducted at in-state treating plants that produce such products; however, the majority of the Department’s efforts are spent on regulating consumer products such as dimensional lumber and fence posts. If funding is ever provided for additional staff, more effort could be put into commercial products but with one employee, the Department is forced to prioritize. It should also be noted that there are several licensed wood treating facilities that only treat “specialty” products such as balusters, spindles, post caps, and lattice. Sampling of this material would essentially destroy the product. Some of these products could be purchased by the Department and then sampled, however, it would require additional funding to pay for these products. In regards to the Auditor’s suggestion that the Department request out-of-state producers to provide a listing of Missouri dealers who purchase their products, the Department does not currently have the authority to request that information.*

9. State Mediation Grant

The MDA did not have a cost identification and allocation methodology in place to track allowable costs chargeable to the state mediation grant, and we question \$14,046 in costs charged to the grant.

The MDA has operated the mediation program since 2002. Under this program qualified MDA mediators attempt to mediate or resolve complaints between persons participating in federal farm programs and the United States Department of Agriculture agencies. The qualified mediators’ primary duties are performing regulatory audits of grain dealers and warehouses. The MDA annual report on the program for fiscal year 2007 indicated there were 18 requests for mediation, of which 13 resulted in mediation cases.

Federal regulation 7 CFR 785.4 requires that costs charged to the grant be reasonable and necessary to carry out the mediation program. The MDA charged \$27,922 to the grant in fiscal year 2007. Those costs included \$20,760 for salaries and benefits equivalent to 792 hours (88 hours for each of the nine grain regulatory auditors who were qualified to perform mediation duties). The salary and benefits costs charged to the grant are based

upon an estimate that over the course of a year 1/24th of the employees' time is spent working on the grant.

The MDA provided a report based upon timesheets indicating 276 hours for mediation work, training, and related travel time were recorded to the mediation program by MDA field personnel in fiscal year 2007. The MDA had no timesheets to support 516 of the 792 hours (65 percent); therefore, we question \$13,494 of the \$20,760 in salary and benefits charged to the grant. We also noted another \$552 was incorrectly charged to the grant. The total amount of questioned costs is \$14,046.

The MDA has the ability within the state accounting system to charge actual staff time and related benefits as they are incurred for specific grant programs through the use of labor distribution profile records (LDPR) and does so for many other grant programs. The MDA should implement the use of LDPRs for the state mediation grant and develop a cost allocation methodology for other allowable costs chargeable to this grant. The MDA should resolve the questioned costs with the grantor agency.

WE RECOMMEND the MDA implement the use of labor distribution profile records for the direct personnel costs of the state mediation grant and develop a cost allocation methodology for other allowable costs of this program. In addition, the MDA should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the findings and have implemented the auditor's recommendation. All direct mediation staff time is now recorded on timesheets and contemporaneously entered into the labor distribution profile records system.

We agree with the findings that not all 792 hours charged to the grant in fiscal year 2007 were supported by timesheets. However, we strongly disagree with the amount of costs questioned by the auditor. The auditor did not recognize any time allocated to the grant by our mediation coordinator even though we have reports, correspondence, telephone records, registration records, travel records and other documentation supporting his mediation activity. We believe due consideration of these records would have resolved most if not all of the costs questioned by the auditor.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

DEPARTMENT OF AGRICULTURE
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Agriculture on findings in the Management Advisory Report (MAR) of our prior audit reports, report 2004-91, Follow-up Review of Animal Care Facilities Inspection Program, issued in December 2004, and report 2002-106, Department of Agriculture Oversight of Manufacture and Distribution of Commercial Feed Products, issued in October 2002.

The department should consider implementing the prior recommendations which have not been implemented.

**FOLLOW-UP REVIEW OF ANIMAL CARE FACILITIES INSPECTION PROGRAM
(Report No. 2004-91, dated December 16, 2004)**

2. Improvements Are Still Needed in the Canine Inspection Program
 - 2.1 Animal Care Facilities Act (ACFA) inspectors did not always conduct inspections in accordance with state regulations and did not record all violations at licensed facilities.
 - 2.2 The Division of Animal Health (division) did not ensure training provided to inspectors was consistent in type or extent, had not established mandatory training courses, and did not track the training provided.
 - 2.3 The division had increased the use of penalties, including settlements and voluntary surrender of animals; however, the division was reluctant to use the administrative hearing process, confiscate animals, and/or penalize licensed facilities.

Recommendations:

We recommend the Director, Department of Agriculture, direct program officials to:

- 2.1 Require inspectors to conduct inspections in accordance with state regulations and record all violations at licensed facilities.
- 2.2 Establish guidance on the type and extent of training courses needed for inspectors; develop mandatory training courses that, among other things, focus on inspection procedures, and track training by inspectors.
- 2.3 Pursue all avenues to penalize licensed facilities not adhering to state regulations and establish procedures to penalize licensed facilities with a record of poor performance.

Status:

2.1 Partially implemented. Program officials indicated inspectors have been instructed to point out all violations and to cite all violations that have a potential of adverse consequences for the animals. Although not repeated in the current MAR, our recommendation remains as stated above.

2.2&

2.3 Implemented.

3. Statutory Requirements Not Always Met

3.1 The division did not comply with state regulations requiring annual inspections of licensed facilities, did not conduct timely pre-license inspections, and charged re-inspection fees to pre-license facilities.

3.2 The division did not require rescue facilities meet pre-license requirements and did not inspect rescue operations on a yearly basis.

3.3 The division did not ensure unlicensed facilities operated legally.

3.4 The division had not re-established formal procedures to evaluate the validity of complaints and prioritize in order of importance.

3.5 The division did not use federal inspectors as state agents for inspection of licensed facilities resulting in duplication of effort and did not utilize federal inspection reports to assist the state inspectors' inspection efforts.

3.6 The division did not require weekly activity reports to include complete and accurate information on all inspector activities and the time spent working on the inspection program.

3.7 The division's ability to meet statutory requirements was impacted because the workload increased, most inspectors were not full-time, and key personnel were not replaced.

3.8 Inspectors have spent excessive time unsuccessfully attempting to inspect facilities and have not always documented unsuccessful inspection attempts.

3.9 The division had not conducted a risk-based assessment of all facilities or implemented a formal risk-based approach to ensure all inspectors target high-risk facilities first.

Recommendations:

We recommend the Director, Department of Agriculture, direct program officials to:

- 3.1 Comply with state regulations regarding annual inspections of licensed facilities, timely pre-license inspections, and not charge re-inspection fees to pre-license facilities.
- 3.2 Require rescue facilities meet pre-license requirements and inspect rescue operations on a yearly basis, as required by state regulations.
- 3.3 Notify law enforcement officials when facilities continue to operate without a valid license.
- 3.4 Centralize review of citizen complaints, and establish procedures to prioritize and evaluate the validity of citizen complaints.
- 3.5 Utilize federal inspectors as state agents, as well as federal inspection reports to assist in the inspection process.
- 3.6 Revise the weekly activity report to allow detailed accounting of inspector activities and require inspectors to accurately prepare the report to disclose all activities related to the canine inspection program, as well as other related or unrelated activities.
- 3.7 Require program personnel use the weekly activity reports to help assess and distribute workloads, as well as determine future personnel needs.
- 3.8 Require inspectors to document all unsuccessful inspection attempts and determine ways to reduce the number of unsuccessful inspection attempts.
- 3.9 Conduct a risk-based assessment of facilities and formalize a risk-based approach to ensure all inspectors target high-risk facilities first in attempting to inspect all licensed facilities.

Status:

- 3.1 Partially implemented. Program officials indicated that the recommendations related to pre-license facilities have been implemented. However, annual inspections were not performed of all licensed facilities. See MAR finding number 6.
- 3.2 Partially implemented. Rescue facilities are required to meet pre-license requirements. However, rescue facilities are not inspected annually. See MAR finding number 6.

3.3-

3.8 Implemented.

3.9 Not implemented. See MAR finding number 6.

4. Improvements Needed in Management Information System

4.1 The division lacked accurate information on inspectors' work-related activities. Information supplied by inspectors on timesheets sometimes conflicted with information shown on weekly activity reports.

4.2 The division did not utilize weekly activity reports and timesheets to develop information on the effectiveness, efficiency, and workload of inspectors.

4.3 The division did not establish guidance on how to complete inspection reports for items that were not inspected.

4.4 The division's inspection reporting software did not allow inspectors to carry forward violations from previous reports to the current report resulting in need for inspectors to re-enter the information.

4.5 The division did not retain historical information relating to the number of active facilities, facilities required to be inspected, and the facilities that were inspected, and, as a result, could not determine the percent of inspections performed by inspectors for prior years.

Recommendations:

We recommend the Director, Department of Agriculture, direct division officials to:

4.1 Establish procedures to ensure an accurate and complete record exists of inspector time charges by requiring inspectors to account for all job related activities on weekly activity reports and timesheets, and require the program coordinator to reconcile the weekly activity reports to timesheets to ensure accuracy and reasonableness of activities.

4.2 Establish procedures to have weekly activity reports and timesheets analyzed to develop data on inspector activity.

4.3 Establish procedures to ensure inspectors complete inspection reports correctly. If necessary, establish additional coding to identify when inspectors have not inspected an item.

4.4 Change division software to allow inspectors to carry forward violations from previous reports to a current inspection report.

- 4.5 Retain historical information on the number of active facilities, and the number of facilities required to be inspected, in the database to enable the division to retain information on the number of facilities inspected by inspectors on a yearly basis.

Status:

4.1, 4.3

-4.5 Implemented.

- 4.2 Partially implemented. Program officials indicated reports and timesheets are being analyzed but a formal data assessment has not been performed. Although not repeated in the current MAR, our recommendation remains as stated above.

**DEPARTMENT OF AGRICULTURE OVERSIGHT OF MANUFACTURE AND
DISTRIBUTION OF COMMERCIAL FEED PRODUCTS
(Report No. 2002-106, dated October 1, 2002)**

1. Improved Oversight and Control Could Help Prevent the Sale of Deficient Commercial Feed Products
- 1.1 The Bureau of Feed and Seed did not have procedures in place to immediately notify manufacturers and distributors of commercial feed products that withdrawal from distribution orders had been issued when deficient products had been identified. The MDA used mail services rather than contacting the licensees by phone or facsimile.
- 1.2 The bureau did not require feed inspectors to make prompt follow-up visits to feed distributors to ensure compliance with withdrawal orders.
- 1.3 The bureau did not require feed manufacturers to notify retail distributors who had received deficient product of the withdrawal order.
- 1.4 The bureau had not established guidelines and timeframes for how many repeated and/or excessive failures to meet labeling guarantees warrant an administrative penalty.
- 1.5 The bureau did not take timely action to collect licensing, inspection and product registration fees and did not sanction delinquent companies by ordering a withdrawal of all products unless the delinquency exceeded 12 months.

Recommendations:

We recommend the Director, Department of Agriculture, direct the bureau to establish:

- 1.1 Procedures for immediately notifying feed manufacturers and distributors to withdraw products from sale when the product fails tests.

- 1.2 Procedures requiring timely follow-up inspections on withdrawal orders to ensure deficient feed products are disposed in accordance with state laws and regulations.
- 1.3 A policy requiring manufacturers to notify retailer distributors to withdraw deficient feed products.
- 1.4 Guidelines and timeframes for how many repeated and/or excessive failures to meet labeling guarantees warrant an administrative penalty.
- 1.5 A more stringent and timely procedure for collecting licensing, inspection, and product registration fees.

Status:

- 1.1 Implemented. The bureau implemented notification of withdrawals by telephone or facsimile; however, the length of time between sampling and notification has remained the same since our prior audit. See MAR finding number 7.
 - 1.2-
 - 1.4 Not implemented. See MAR finding number 7.
 - 1.5 Implemented.
2. A More Efficient Inspection Strategy Could Improve Oversight and Control
- 2.1 The bureau lacked an inspection strategy to maximize the number of samples obtained directly from feed mills.
 - 2.2 The bureau did not perform an analysis of samples obtained and test results to determine if some products are subjected to an excessive number of tests so that inspection and testing effort could be directed toward other products.

Recommendations:

We recommend the Director, Department of Agriculture, direct the bureau to establish:

- 2.1 A strategy emphasizing sampling directly from manufacturers' feed mills and reducing visits and samples collected at retail distributors.
- 2.2 Central oversight procedures to track how often a product is tested and the results.

Status:

Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF AGRICULTURE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Agriculture was created in 1933 by an act of the legislature to replace the Missouri State Board of Agriculture. Operating under the director, the department's divisions are charged with enforcing state laws regulating the handling and marketing of agribusiness products, as well as protecting producers, processors, distributors, and consumers of food and fiber and promoting Missouri's agricultural economy.

The following are the various responsibilities of the Office of Director, the five divisions of the department, the Missouri Agricultural and Small Business Development Authority, and the Missouri Wine and Grape Board:

1. The Office of the Director determines department policy, assigns duties among departmental units, obtains financial and personnel resources to discharge department responsibilities, administers the ethanol and biodiesel incentives programs, and monitors departmental performance.
2. The Division of Animal Health, directed by the state veterinarian, administers the laws and regulations pertaining to livestock and poultry disease control, state licensed meat processors, livestock markets and dealers, and licensed commercial companion animal breeders and dealers.
3. The Division of Grain Inspection and Warehousing is responsible for the enforcement of the Missouri grain dealers and grain warehouse laws and U.S. Grain Standards Act. The Grain Inspection Program serves as a disinterested third-party which, upon request, will determine the grade, weight, and protein content of grain for any interested party. The Grain Regulatory Services Program oversees the regulation of the storage, purchase, and sale of grain in Missouri. Additionally, the division administers the commodity check-off program and the Missouri agricultural mediation programs.
4. The Division of Agriculture Business Development administers the AgriMissouri program, the domestic and international marketing programs for Missouri agricultural products, the agriculture market news reporting service, the Agriculture Development Fund Program which provides youth and youth development programs, scholarships, as well as loans and grants for the betterment of rural agriculture. In addition, the division works with the Agricultural and Small Business Development Authority and the Wine and Grape Board.
5. The Division of Plant Industries licenses pesticide applicators and administers regulations concerning the use of pesticides, herbicides, and other chemical products, licenses plant nurseries and growers and inspects them for plant pests and diseases, licenses animal feed manufacturers and dealers and tests feed products for safety and compliance with labeling guarantees, licenses plant seed distributors and tests seed products for compliance with

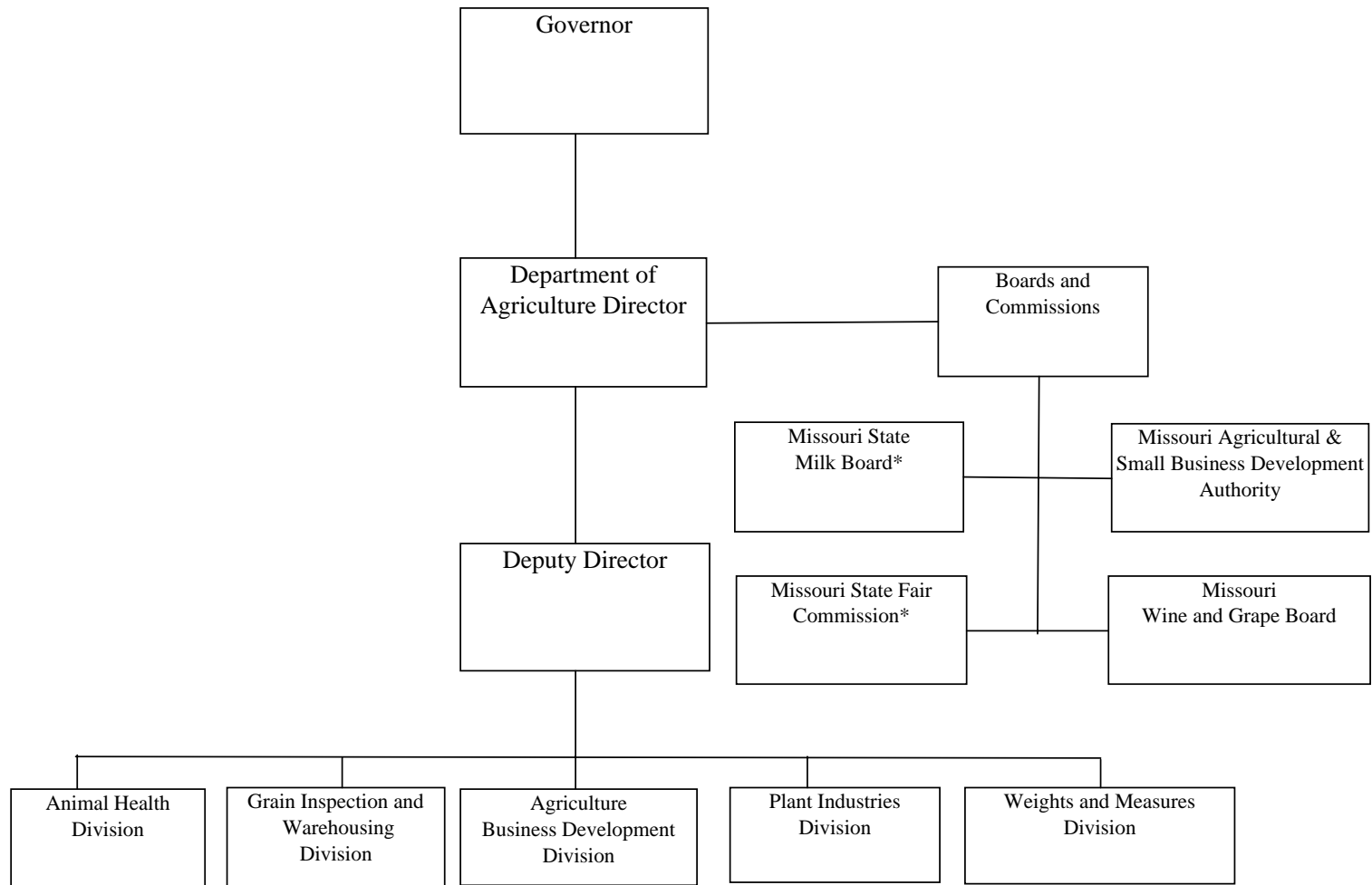
labeling guarantees, administers the fruit and vegetable inspection and the noxious weed programs, and regulates treated timber producers and sellers.

6. The Division of Weights and Measures licenses and tests commercial weighing and measuring devices to ensure accuracy and fair dealing in the exchange of commodities. The division performs small-scale and large-scale testing, price scanner verification, and egg inspections. They also perform motor fuel quality testing, volumetric testing and safety inspections of petroleum distributors and dealers, and test liquefied petroleum gas meters. They test the accuracy of grain moisture meters and the metrology lab maintains standards for mass, volume, and length and certifies test weights, test measures, and volume provers for industry and the agency testing programs.
7. The Missouri Agricultural and Small Business Development Authority was established in 1981 and its governing body consists of members who are appointed by the Governor with the advice and consent of the Senate and the department director as an ex-officio member. The authority issues tax-free bonds to lenders who make low-interest loans to farmers and small businesses and administers the beginning farmer loan, family farm breeding livestock loan, animal waste treatment system loan, single-purpose animal facilities loan guarantee, and Missouri value-added grant and loan guarantee programs. They also administer the New Generation Cooperative Incentive Tax Credit and the Agricultural Products Utilization Contributor Tax Credit programs.
8. The Missouri Wine and Grape Board was established in 2005 and its governing body consists of seven members who are appointed by the Governor with the advice and consent of the senate and four ex-officio members including the department director. The board promotes grapes, juice, and wine produced in Missouri using funds paid by grape and wine producers.

In addition, the department includes the State Fair Commission and the State Milk Board that are audited and reported upon separately.

Fred Ferrell served as the department director until February 26, 2007. Katie J. Smith was appointed department director on May 10, 2007 and served in that capacity until Don Steen was appointed department director on July 7, 2008. The department employed approximately 292 full and part-time employees as of June 30, 2007. An organization chart follows.

DEPARTMENT OF AGRICULTURE
ORGANIZATION CHART
JUNE 30, 2007



*Not included in this report.

Appendix A

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,						
	2006			2007			Cash and Investments June 30, 2007
	Cash and Investments June 30, 2005	Receipts *	Disbursements **	Cash and Investments June 30, 2006	Receipts *	Disbursements **	
Fund:							
Agriculture - Federal and Other	\$ 611,745	2,015,987	2,199,256	428,476	5,353,476	5,273,827	508,125
Animal Health Laboratory Fees	216,148	418,790	453,690	181,248	438,488	496,173	123,563
Animal Care Reserve	201,241	489,188	606,978	83,451	502,099	526,560	58,990
Livestock Brands	14,688	27,625	36,177	6,136	20,060	5,743	20,453
Commodity Council Merchandising	63,126	272,950	262,539	73,537	74,200	72,034	75,703
Single Purpose Animal Facility Loan Program	379,026	61,114	138,334	301,806	56,248	151,561	206,493
Single Purpose Animal Facility Loan Guarantee	0	3	0	3	178	181	0
Agricultural Product Utilizations and Business Development Loan Guarantee	4	35,411	35,325	90	10	0	100
Missouri Qualified Ethanol Producer Incentive	0	8,133,209	8,133,209	0	13,733,702	13,733,702	0
Aquaculture Marketing Development	0	18,020	18,020	0	16,880	16,880	0
Livestock Sales and Markets Fees	2,787	9,600	11,618	769	9,900	10,654	15
Apple Merchandising	4,155	3,523	4,060	3,618	3,944	3,574	3,988
Livestock Dealer Law Enforcement and Administration	233	9	0	242	10	176	76
Grain Inspection Fees	586,324	1,552,808	1,570,531	568,601	1,533,960	1,653,259	449,302
Petroleum Inspection Fund	2,984,613	2,667,824	2,295,416	3,357,021	2,690,260	2,858,117	3,189,164
Marketing Development	1,363,253	1,418,046	1,219,495	1,561,804	259,175	1,181,709	639,270
Organic Production and Certification Fee	9,306	0	9,087	219	0	107	112
Missouri Qualified Biodiesel Producer Incentive ***	0	0	0	0	4,250,802	4,250,802	0
Missouri Wine and Grape ***	0	0	0	0	1,307,062	48,078	1,258,984
Boll Weevil Suppression and Eradication	77,357	55,207	28,861	103,703	61,486	67,364	97,825
Missouri Wine Marketing and Research	400	34,352	34,151	601	32,425	32,626	400
Agriculture Development	93,394	7,170	88,747	11,817	102,559	111,035	3,341
Totals	\$ 6,607,800	17,220,836	17,145,494	6,683,142	30,446,924	30,494,162	6,635,904

* Receipts include interagency billing receipts and transfers in.

** Disbursements include interagency disbursements and transfers out. Disbursements on this statement will not agree to fund expenditures on Appendix B primarily due to appropriated transfers out for personal service benefits costs.

*** Fund established in fiscal year 2007.

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Director's Office Personal Service	\$ 637,830	623,712	14,118	586,735	574,041	12,694
Director's Office Expense and Equipment	173,061	173,060	1	139,890	127,862	12,028
Agriculture Business Development Personal Service	882,148	826,420	55,728	473,017	454,733	18,284
Agriculture Business Development Expense and Equipment	252,553	247,926	4,627	232,369	219,212	13,157
Market Information and Outreach Personal Service	0	0	0	354,183	339,678	14,505
Market Information and Outreach Expense and Equipment	0	0	0	39,566	38,379	1,187
Missouri Agricultural and Small Business Development Authority Grants	500,000	500,000	0	0	0	0
AgriMissouri Program Personal Service	34,947	33,898	1,049	33,603	32,590	1,013
AgriMissouri Program Expense and Equipment	164,585	159,647	4,938	164,585	159,647	4,938
Animal Health Administration Personal Service	1,672,550	1,617,885	54,665	1,559,004	1,511,067	47,937
Animal Health Administration Expense and Equipment	294,827	294,737	90	321,778	321,778	0
Animal Health Indemnities	1	0	1	750	750	0
Animal Health Ear Tags	1,000	970	30	1,000	0	1,000
Grain Regulatory Services Personal Service	638,538	618,992	19,546	612,929	594,146	18,783
Grain Regulatory Services Expense and Equipment	90,983	90,983	0	85,641	85,641	0
Plant Industries Program Personal Service	1,470,801	1,408,772	62,029	1,317,017	1,305,976	11,041
Plant Industries Program Expense and Equipment	253,895	253,895	0	251,051	251,051	0
Boll Weevil Eradication Program	475,000	460,750	14,250	0	0	0
Gypsy Moth Control Program Personal Service	4,801	4,607	194	4,576	4,439	137
Weights and Measures Personal Service	909,595	880,682	28,913	894,773	866,879	27,894
Weights and Measures Expense and Equipment	439,270	439,270	0	281,180	281,180	0
Motor Fuel and Utilities	0	0	0	29,415	29,415	0
Overtime	0	0	0	24,266	0	24,266
Refund Account	4,340	4,263	77	3,640	2,929	711
Agriculture State-Owned Facilities	297,390	297,390	0	0	0	0
Agriculture Facilities Leasing	282,266	282,266	0	279,385	269,184	10,201
Agriculture Information Technology Consolidation Personal Service	0	0	0	281,320	272,878	8,442
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	242,544	235,263	7,281
Total General Revenue Fund	9,480,381	9,220,125	260,256	8,214,217	7,978,718	235,499

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FACILITIES MAINTENANCE RESERVE FUND						
Facilities Maintenance and Repair	1,076,352	1,076,351	1	2,754,679	643,064	2,111,615 *
Operational Maintenance and Repair	94,689	93,840	849	94,689	94,689	0
Statewide Facilities Maintenance and Repair Year 1	1	0	1	17,580	17,580	0 *
Statewide Facilities Maintenance and Repair Year 2	136,182	136,182	0	128,348	128,347	1 *
Total Facilities Maintenance Reserve Fund	1,307,224	1,306,373	851	2,995,296	883,680	2,111,616
AGRICULTURE-FEDERAL AND OTHER FUND						
Director's Office Personal Service	205,473	63,860	141,613	181,660	46,879	134,781
Director's Office Expense and Equipment	3,895,227	2,801,585	1,093,642	1,149,761	13,534	1,136,227
Replacement Vehicles	78,250	75,332	2,918	0	0	0
Agriculture Business Development Personal Service	82,326	8,132	74,194	31,704	1,085	30,619
Agriculture Business Development Expense and Equipment	298,808	90,186	208,622	200,108	5,250	194,858
Agriculture Awareness Program	0	0	0	98,744	8,966	89,778
Market Information and Outreach Personal Service	0	0	0	47,456	15,718	31,738
Missouri Agricultural and Small Business Development Authority	250,000	0	250,000	0	0	0
Animal Health Administration Personal Service	649,083	471,466	177,617	624,117	453,775	170,342
Animal Health Administration Expense and Equipment	2,648,083	699,442	1,948,641	795,691	549,309	246,382
Electronic Animal Identification System Program	0	0	0	211,687	0	211,687
Grain Regulatory Services Personal Service	41,858	14,529	27,329	40,248	14,314	25,934
Grain Regulatory Services Expense and Equipment	41,189	6,058	35,131	41,180	7,142	34,038
Plant Industries Program Personal Service	380,332	268,190	112,142	365,703	341,615	24,088
Plant Industries Program Expense and Equipment	513,208	389,118	124,090	493,271	350,227	143,044
Gypsy Moth Control Program	33,000	0	33,000	100,000	20,227	79,773
Gypsy Moth Control Program Personal Service	27,000	21,402	5,598	0	0	0
Gypsy Moth Control Program Expense and Equipment	40,000	32,167	7,833	0	0	0
Weights and Measures Personal Service	67,766	0	67,766	65,160	0	65,160
Weights and Measures Expense and Equipment	50,000	0	50,000	766,526	0	766,526
Agriculture State-Owned Facilities	15,674	15,674	0	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	77,584	18,289	59,295
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	109,009	19,502	89,507
Total Agriculture-Federal And Other Fund	9,317,277	4,957,141	4,360,136	5,399,609	1,865,832	3,533,777

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
MISSOURI AIR EMISSION REDUCTION FUND						
Missouri Agricultural and Small Business Development Authority	232,300	0	232,300	0	0	0
Total Missouri Air Emission Reduction Fund	232,300	0	232,300	0	0	0
ANIMAL HEALTH LABORATORY FEES FUND						
Animal Health Administration Personal Service	146,239	46,557	99,682	140,614	16,290	124,324
Animal Health Administration Expense and Equipment	386,602	360,458	26,144	428,950	414,907	14,043
Agriculture Facilities Leasing	58,239	58,239	0	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	4,886	4,886	0
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	19,865	3,980	15,885
Total Animal Health Laboratory Fees Fund	591,080	465,254	125,826	594,315	440,063	154,252
ANIMAL CARE RESERVE FUND						
Animal Health Administration Personal Service	353,366	320,623	32,743	338,775	331,883	6,892
Animal Health Administration Expense and Equipment	209,831	37,117	172,714	192,717	93,205	99,512
Replacement Vehicles	47,250	0	47,250	0	0	0
Overtime	0	0	0	1,000	0	1,000
Agriculture State Owned Facilities	1,743	1,743	0	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	6,357	6,159	198
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	26,445	18,359	8,086
Total Animal Care Reserve Fund	612,190	359,483	252,707	565,294	449,606	115,688
LIVESTOCK BRANDS FUND						
Livestock Brands Program	38,151	3,441	34,710	33,860	33,860	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	210	210	0
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	7,301	1,533	5,768
Total Livestock Brands Fund	38,151	3,441	34,710	41,371	35,603	5,768
BOARD OF PUBLIC BUILDING BOND PROCEEDS FUND -SERIES A 2003						
Statewide Facilities Maintenance and Repair	0	0	0	97,726	97,726	0 *
Total Board of Public Buildings Bond Proceeds Fund - Series A 2003	0	0	0	97,726	97,726	0

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
COMMODITY COUNCIL MERCHANDISING FUND						
Commodity Merchandising Personal Service	80,495	35,278	45,217	77,399	33,529	43,870
Commodity Merchandising Expense and Equipment	22,446	15,804	6,642	22,000	8,591	13,409
Refunds and Reimbursements	85,000	0	85,000	210,000	201,110	8,890
Agriculture State-Owned Facilities	2,549	2,548	1	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	309	0	309
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	1,227	796	431
Total Commodity Council Merchandising Fund	190,490	53,630	136,860	310,935	244,026	66,909
SINGLE PURPOSE ANIMAL FACILITY LOAN PROGRAM FUND						
Missouri Agricultural and Small Business Development Authority Personal Service	100,748	92,863	7,885	96,873	83,440	13,433
Missouri Agricultural and Small Business Development Authority Expense and Equipment	21,379	7,941	13,438	19,688	9,628	10,060
Replacement Vehicles	15,750	0	15,750	0	0	0
Agriculture State-Owned Facilities	3,772	3,695	77	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	388	388	0
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	3,377	1,156	2,221
Total Single Purpose Animal Facility Loan Program Fund	141,649	104,499	37,150	120,326	94,612	25,714
SINGLE PURPOSE ANIMAL FACILITY LOAN GUARANTEE FUND						
Single Purpose Animal Facility Loan Program	1	0	1	1	0	1
Total Single Purpose Animal Facility Loan Guarantee Fund	1	0	1	1	0	1
AGRICULTURAL PRODUCT UTILIZATION AND BUSINESS DEVELOPMENT LOAN GUARANTEE FUND						
Missouri Value-Added Loan Guarantee Program	1	0	1	1	0	1
Total Agricultural Product Utilization and Business Development Loan Guarantee Fund	1	0	1	1	0	1
OFFICE OF ADMINISTRATION REVOLVING ADMINISTRATIVE TRUST FUND						
Maintenance and Repair From Design and Construction Settlements	34,677	34,677	0	30,813	0	30,813
Total Office of Administration Revolving Administrative Trust Fund	34,677	34,677	0	30,813	0	30,813

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DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
NATURAL RESOURCES PROTECTION FUND						
Missouri Agricultural and Small Business Development Authority	17,700	0	17,700	0	0	0
Total Natural Resources Protection Fund	17,700	0	17,700	0	0	0
MISSOURI QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND						
Missouri Ethanol Producer Incentive Payments	13,687,991	13,687,991	0	9,067,800	8,102,393	965,407
Total Missouri Qualified Fuel Ethanol Producer Incentive Fund	13,687,991	13,687,991	0	9,067,800	8,102,393	965,407
AQUACULTURE MARKETING DEVELOPMENT FUND						
Missouri Aquaculture Council	25,000	7,150	17,850	25,000	7,755	17,245
Missouri Agricultural and Small Business Development Authority						
Personal Service	8,419	6,554	1,865	8,095	7,046	1,049
Total Aquaculture Marketing Development Fund	33,419	13,704	19,715	33,095	14,801	18,294
LIVESTOCK SALES AND MARKETS FEES FUND						
Agriculture Information Technology Consolidation Personal Service	0	0	0	354	0	354
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	4,262	0	4,262
Livestock Market Regulation	32,565	9,948	22,617	28,565	11,475	17,090
Total Livestock Sales and Markets Fees Fund	32,565	9,948	22,617	33,181	11,475	21,706
APPLE MERCHANDISING FUND						
Research, Promotion and Market Development of Apples	12,000	3,500	8,500	12,000	4,000	8,000
Total Apple Merchandising Fund	12,000	3,500	8,500	12,000	4,000	8,000
LIVESTOCK DEALER LAW ENFORCEMENT AND ADMINISTRATION FUND						
Agriculture Information Technology Consolidation Personal Service	0	0	0	137	0	137
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	95	0	95
Livestock Dealer Law Enforcement	12,250	0	12,250	12,250	0	12,250
Total Livestock Dealer Law Enforcement and Administration Fund	12,250	0	12,250	12,482	0	12,482

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DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GRAIN INSPECTION FEES FUND						
Grain Inspection Services Personal Service	1,588,701	971,594	617,107	1,517,602	944,178	573,424
Grain Inspection Services Expense and Equipment	313,129	170,068	143,061	298,573	140,965	157,608
Replacement Vehicles	53,250	0	53,250	0	0	0
Payment of Federal User Fee	100,000	71,899	28,101	100,000	65,663	34,337
Overtime	0	0	0	9,996	0	9,996
Agriculture State Owned Facilities	3,187	3,187	0	0	0	0
Agriculture Facilities Leasing	24,572	21,922	2,650	22,686	21,084	1,602
Agriculture Information Technology Consolidation Personal Service	0	0	0	9,388	5,482	3,906
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	27,135	6,050	21,085
Total Grain Inspection Fees Fund	2,082,839	1,238,670	844,169	1,985,380	1,183,422	801,958
PETROLEUM INSPECTION FUND						
Weights and Measures Personal Service	1,331,517	1,255,182	76,335	1,278,997	1,168,162	110,835
Weights and Measures Expense and Equipment	785,316	607,842	177,474	737,889	365,782	372,107
Replacement Vehicles	115,500	115,318	182	0	0	0
Overtime	0	0	0	1,308	0	1,308
Agriculture State Owned Facilities	91,269	91,268	1	0	0	0
Agriculture Facilities Leasing	7,563	7,458	105	7,673	7,200	473
Agriculture Information Technology Consolidation Personal Service	0	0	0	75,673	75,673	0
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	94,908	11,406	83,502
Total Petroleum Inspection Fund	2,331,165	2,077,068	254,097	2,196,448	1,628,223	568,225

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
MARKETING DEVELOPMENT FUND						
Governor's Conference on Agriculture	125,000	83,889	41,111	125,000	144	124,856
Aid to State Fair	1	0	1	1	0	1
Agriculture Business Development Personal Service	6,240	0	6,240	0	0	0
Agriculture Business Development Expense and Equipment	167,382	124,755	42,627	90,000	43,489	46,511
Market Information and Outreach Personal Service	0	0	0	5,000	0	5,000
Market Information and Outreach Expense and Equipment	0	0	0	77,000	11,139	65,861
AgriMissouri Program Expense and Equipment	10,000	0	10,000	10,000	0	10,000
Grape and Wine Program Personal Service	111,750	111,639	111	107,452	98,843	8,609
Grape and Wine Program Expense and Equipment	1,250,410	781,608	468,802	1,661,229	994,841	666,388
Overtime	0	0	0	1,000	0	1,000
Agriculture State-Owned Facilities	2,660	2,342	318	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	5,766	5,766	0
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	12,997	1,218	11,779
Total Marketing Development Fund	1,673,443	1,104,233	569,210	2,095,445	1,155,440	940,005
ORGANIC PRODUCTION AND CERTIFICATION FEE FUND						
Plant Industries Program Personal Service	0	0	0	11,000	0	11,000
Plant Industries Program Expense and Equipment	0	0	0	116,562	9,026	107,536
Total Organic Production and Certification Fee Fund	0	0	0	127,562	9,026	118,536
AGRICULTURE BOND TRUSTEE FUND						
Processing Livestock Market Bankruptcy Claims	135,000	0	135,000	135,000	0	135,000
Total Agriculture Bond Trustee Fund	135,000	0	135,000	135,000	0	135,000
MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND						
Missouri Biodiesel Producer Incentive Payments	5,250,000	4,250,802	999,198	1	0	1
Total Missouri Qualified Biodiesel Producer Incentive Fund	5,250,000	4,250,802	999,198	1	0	1
MISSOURI WINE AND GRAPE FUND						
Grape and Wine Program Personal Service	45,060	17,367	27,693	0	0	0
Grape and Wine Program Expense and Equipment	412,113	24,243	387,870	0	0	0
Total Missouri Wine And Grape Fund	457,173	41,610	415,563	0	0	0

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
BOLL WEEVIL SUPPRESSION AND ERADICATION FUND						
Boll Weevil Eradication Personal Service	71,371	36,287	35,084	68,626	9,674	58,952
Boll Weevil Eradication Expense and Equipment	30,820	12,948	17,872	30,815	11,205	19,610
Agriculture State-Owned Facilities	1,356	1,356	0	0	0	0
Total Boll Weevil Suppression and Eradication Fund	103,547	50,591	52,956	99,441	20,879	78,562
MISSOURI WINE MARKETING AND RESEARCH DEVELOPMENT FUND						
Missouri Wine Marketing and Research Council	33,000	32,157	843	34,000	33,786	214
Total Missouri Wine Marketing and Research Development Fund	33,000	32,157	843	34,000	33,786	214
AGRICULTURE DEVELOPMENT FUND						
Agriculture Development Program Personal Service	201,470	42,344	159,126	87,601	1,000	86,601
Agriculture Development Program Expense and Equipment	48,273	27,243	21,030	45,370	6,977	38,393
Market Information and Outreach Personal Service	0	0	0	106,121	39,595	66,526
Agriculture Development Fund Investments	100,000	18,250	81,750	100,000	18,279	81,721
Agriculture State-Owned Facilities	1,748	1,322	426	0	0	0
Agriculture Information Technology Consolidation Personal Service	0	0	0	978	795	183
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	3,971	1,403	2,568
Total Agriculture Development Fund	351,491	89,159	262,332	344,041	68,049	275,992
INSTITUTION GIFT TRUST FUND						
Director's Office Personal Service	0	0	0	39,928	39,638	290
Director's Office Expense and Equipment	0	0	0	18,000	10,198	7,802
Agriculture Awareness Program	24,910	0	24,910	23,744	0	23,744
Expenditure of Contributions to Reduce Suffering of Abandoned Animals	5,000	3,092	1,908	5,000	661	4,339
Agriculture Information Technology Consolidation Expense and Equipment	0	0	0	1,256	0	1,256
Total Institution Gift Trust Fund	29,910	3,092	26,818	87,928	50,497	37,431
Total All Funds	\$ 48,188,914	39,107,148	9,081,766	34,633,708	24,371,857	10,261,851

* Biennial appropriations set up in the current fiscal year are re-appropriations to the next fiscal year. After the fiscal year-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

Appendix B

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2007	2006
General Revenue Fund		
Personal Service	\$ 190,238	147,374
Expense and Equipment	9,565	15,586
Boll Weevil Eradication Program	14,250	0
Animal Health Ear Tags	30	30
Overtime	0	728
Agriculture - Federal and Other Fund		
Missouri Agricultural and Small Business Development Authority	250,000	0
Natural Resources Protection Fund		
Missouri Agricultural and Small Business Development Authority	17,700	0
Missouri Air Emission Reduction Fund		
Missouri Agricultural and Small Business Development Authority	232,300	0
Total All Funds	\$ 714,083	163,718

Appendix C

DEPARTMENT OF AGRICULTURE
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

		Year Ended June 30,				
		2007	2006	2005	2004	2003
Salaries and wages	\$	9,798,833	9,720,735	10,625,797	10,477,474	11,242,702
Travel, in-state		354,213	326,721	324,311	336,281	385,415
Travel, out-of-state		130,996	118,668	121,330	137,287	115,629
Fuel and utilities		40,568	66,943	63,294	69,992	74,696
Supplies		1,267,688	1,212,757	1,186,467	1,200,707	1,133,300
Professional development		184,769	135,371	110,459	96,161	131,651
Communication service and supplies		155,566	206,141	226,036	261,104	224,259
Services:						
Professional		1,837,101	1,688,408	1,800,381	1,503,024	1,388,615
Housekeeping and janitorial		54,766	56,533	73,288	96,541	61,841
Maintenance and repair		328,491	358,499	326,357	336,861	278,130
Equipment:						
Computer		19,029	126,189	101,917	449,792	237,035
Motorized		451,241	182,459	72,678	402,686	65,445
Office		34,047	28,618	23,569	26,145	34,864
Other		381,575	294,410	114,000	487,374	197,293
Property and improvements		1,243,283	883,104	1,153,817	1,311,429	2,258,334
Debt service		0	259	1,048	1,797	2,290
Building lease payments		817,091	369,576	350,926	379,749	429,509
Equipment rental and leases		10,212	12,891	56,536	45,026	96,878
Miscellaneous expenses		157,785	80,634	150,952	164,206	114,045
Refunds		32,410	296,176	176,396	134,840	148,354
Program distributions		21,807,484	8,206,765	5,576,180	3,889,064	3,518,553
Total Expenditures	\$	<u>39,107,148</u>	<u>24,371,857</u>	<u>22,635,739</u>	<u>21,807,540</u>	<u>22,138,838</u>

Appendix D

DEPARTMENT OF AGRICULTURE COMPARATIVE STATEMENT OF GENERAL CAPITAL ASSETS

Asset Type:	June 30,	
	2007	2006
Buildings	\$ 25,516,091	25,516,091
Equipment	5,823,466	5,924,883
Land Improvements	560,695	560,695
Land	12,875	12,875
Tools	120,906	120,906
Vehicles	3,994,420	3,864,713
Total	\$ 36,028,453	36,000,163

Fund of Acquisition:	June 30, 2007
General Revenue	\$ 16,156,485
Facilities Maintenance Reserve	3,406,064
Agriculture - Federal and Other	1,127,320
Revenue Sharing Trust	449,384
Animal Health Laboratory Fees	205,327
Animal Care Reserve	132,104
Livestock Brands	74,851
Board of Public Buildings Bond Proceeds - Series A 2003	3,210
Third State Building	502,249
Third State Building Trust	8,732,885
Commodity Council Merchandising	3,318
Single Purpose Animal Facility Loan Program	19,207
State Fair Fees	522,150
Aquaculture Marketing Development	1,329
Livestock Sales and Markets Fees	11,640
Livestock Dealer Law Enforcement and Administration	2,793
Milk Inspection Fees	67,567
Grain Inspection Fees	331,962
Petroleum Inspection Fund	2,702,250
Petroleum Violation Escrow	15,578
Marketing Development	48,146
ADA Compliance	1,485,938
Boll Weevil Suppression and Eradication	845
Agriculture Development	2,444
Institution Gift Trust	23,407
Total	\$ 36,028,453



Susan Montee, CPA
Missouri State Auditor

Thirty-Eighth Judicial Circuit

City of Clever Municipal Division



July 2008

Report No. 2008-44

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

An audit was conducted by our office of the Thirty-Eighth Judicial Circuit, city of Clever Municipal Division.

Fines, court costs, and bonds totaling at least \$4,628 were received by the Clever Municipal Division during the period July 1, 2006 through March 13, 2008, but were not deposited, and were misappropriated. Upon discovering the discrepancies noted above in the deposit records of the municipal division, auditors performed a very limited review of other city receipts, and identified an additional cash shortage of \$571 in two of only three water and sewer deposits reviewed. In addition, auditors noted numerous small dollar city receipt slips ranging from \$4 to \$19 for items such as dog tags and trash bags that could not be traced to a deposit. It appears likely additional city cash receipts may have been misappropriated, and the city needs to take steps to obtain an audit of these funds.

The former City Clerk, who also acted as Court Clerk, was hired by the city in December 2004, and was terminated on December 17, 2007. She was subsequently charged with felony stealing and forgery for writing unauthorized checks totaling approximately \$42,000 from the city's bank accounts between September 2006 and December 2007. After our initial visit to the city of Clever on Wednesday, February 20, 2008, the Assistant City Clerk, who had assumed most of the court related duties, abruptly terminated employment on Monday, February 25, 2008. Poor controls over municipal division monies, as well as no independent review of the work performed by city employees allowed these misappropriations to go undetected.

There is inadequate segregation of duties related to the collection and disbursement of court money, and neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed. Additionally, numerous poor procedures and controls over the collection of court receipts contributed to the misappropriation.

The final disposition of each case is not consistently documented on the court dockets, Crime Victims Compensation and Police Officers Standard Training and Commission Fund collections were not remitted to the state timely, and the court does not file a monthly report of all cases heard with the city. In addition, monthly listings of open items (liabilities) were not prepared and reconciled to the available cash balance for the bond account, and city employees are allowed to amend traffic violations and collect double the fine amount without documented approval from the Prosecuting Attorney or Municipal Judge. In addition, neither the police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

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YELLOW SHEET

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF CLEVER
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
Clever, Missouri

We have audited certain operations of the city of Clever Municipal Division of the Thirty-Eighth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the period July 1, 2006 through March 13, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.
3. Review certain receipts and attempt to determine the amount of any misappropriated funds.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not

necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Clever Municipal Division of the Thirty-Eighth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Ted Fugitt, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF CLEVER
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Missing Funds
-----------	----------------------

Fines, court costs, and bonds totaling at least \$4,628 were received during the period July 1, 2006 through March 13, 2008, but were not deposited, and were misappropriated. While our audit was only of the city of Clever Municipal Division, a limited review of only three city water and sewer deposits identified an additional cash shortage of \$571. As a result, it appears likely additional cash receipts may have been misappropriated from the city's water and sewer collections, and the city needs to take the necessary steps to obtain an audit of these funds.

- A. Receipts totaling at least \$4,628 (\$3,478 in fines and costs, and \$1,150 in bonds) were received by the city of Clever's municipal division or police department during the period July 1, 2006 through March 13, 2008, but were not deposited.

Fines and court costs are generally collected by the Court Clerk or the Assistant City Clerk and deposited into the city's general bank account. Cash bonds are collected and receipted by the Clever Police Department, then transmitted in cash to the Court Clerk for deposit into a separate bond bank account. The Court Clerk also receives bonds from other law enforcement agencies and deposits them into the bond bank account.

A breakdown of the missing receipts is as follows:

- Unrecorded checks were substituted into municipal division deposits of fines and costs in exchange for cash receipts totaling at least \$1,220. For example, a \$750 check received from the Christian County Sheriff's Department for a bond was not recorded by the municipal division, but deposited and cash was withheld and apparently misappropriated. In another example, a check for \$240 for city water security deposits and a \$100 check for a July 4th celebration donation was deposited in the place of municipal division cash receipts.
- In some instances recorded receipts were simply not included in amounts deposited. A comparison of municipal division receipt slips to amounts deposited identified a shortage of at least \$1,915. In one instance, a defendant paid \$73 cash for the full amount of his fine and court costs on December 26, 2007, but was detained on a warrant in May 2008 for failure to pay and required to post a \$250 cash bond. While a receipt slip was issued for the defendant's December 2007 payment, the payment had not been deposited or

recorded in the case file, and appears to have been misappropriated. The city refunded the bond amount to the defendant upon discovering the discrepancy.

- Bonds totaling \$1,150 were receipted but not deposited. At least five cash bonds totaling \$850 received and recorded by the police department were not deposited into the municipal division's bond bank account. According to police department personnel, bond monies were transmitted in cash to either the Court Clerk or Assistant City Clerk; however, no receipt slip was obtained from these court personnel to document the transmittal of cash and the bonds were not deposited. Additionally, a \$300 bond received and recorded by the Court Clerk in the municipal division's receipt book was not deposited.
- Misappropriated funds were also concealed when receipt slip amounts were recorded on the deposit log for less than the actual amount on the receipt slip. Approximately \$193 of the shortage noted above was concealed in this manner.
- A \$150 misappropriation appears to have occurred when the amount recorded on a receipt slip was \$150 less than the actual amount of a check received, and a cash receipt for this amount was not deposited. In July 2006, a deposit of fines and court costs included a defendant's check for \$320, but the receipt slip was only written for \$170, and another \$150 cash receipt was not deposited. According to the defendant's attorney and case file information, \$320 was the judgment for the cases involved and this amount should have been recorded.

In addition, we identified three other court deposits that appeared to differ from recorded receipts by smaller amounts, ranging from \$20 to \$60.

B. Upon discovering the discrepancies noted above in the deposit records of the municipal division, we performed a very limited review of other city receipts, such as water and sewer collections. We compared only three city deposits in January 2008 to recorded receipts or utility payment stubs, and a cash shortage of at least \$571 was identified in two of these three deposits as follows:

- A city deposit of water and sewer collections dated January 28, 2008, for \$2,625 included three unrecorded checks totaling \$240 for water security deposits, and recorded water and sewer collections paid in cash totaling the same amount were not deposited and apparently misappropriated.
- A city water and sewer deposit on January 30, 2008, did not include cash receipts totaling \$331. The misappropriated funds appear to have been concealed through two unrecorded water security deposit checks totaling \$180 substituted into the deposit for cash receipts, and a credit adjustment (rather than a payment) posted to the city's computerized utility accounts receivable records for \$151. A hand written receipt slip (number 330632) was found in the city's records indicating \$151 in cash was paid for the utility charges, but

instead of a payment being posted to the customer's account, a credit adjustment was posted and the cash payment was not deposited and apparently misappropriated.

We also noted numerous small dollar city receipt slips ranging from \$4 to \$19 for items such as dog tags and trash bags which could not be traced to a deposit.

Considering the discrepancies we identified in the limited number of city deposits we reviewed, it is likely additional city funds have been misappropriated. Because our audit was only of the city's municipal division, a separate audit would be necessary to determine any additional funds missing from the city.

The former City Clerk, who also acted as Court Clerk, was hired by the city in December 2004, and was terminated on December 17, 2007. The clerk was subsequently charged with felony stealing and forgery for writing unauthorized checks to herself and other payees totaling approximately \$42,000 from the city's bank accounts between September 2006 and December 2007. After our initial visit to the city of Clever on Wednesday, February 20, 2008, the Assistant City Clerk, who had assumed most of the court related duties, abruptly terminated employment on Monday, February 25, 2008.

Because of the lack of availability of records for periods prior to July 1, 2006, we did not perform extensive auditing procedures and provide no assurances with regard to the accountability of court monies during any earlier time periods.

Poor controls over municipal division monies, as well as no independent review of the work performed by the various city employees, as further discussed in the remainder of the Management Advisory Report (MAR), allowed these misappropriations to go undetected.

WE RECOMMEND the city of Clever Municipal Division, along with the city, work with law enforcement officials regarding criminal prosecution, including restitution of the missing funds. Further, steps should be taken to secure an audit of all city funds to determine any additional funds that may have been misappropriated.

AUDITEE'S RESPONSE

The Mayor provided the following response:

The city has been working with the Christian County Sheriff's Department and the Christian County Prosecuting Attorney regarding the stealing and forgery charges pending against the former City Clerk. We will continue to work with these officials regarding the criminal prosecution and restitution of the missing court monies and the additional city monies misappropriated. We will also be discussing additional audit procedures with our independent auditor regarding the misappropriated city funds.

The Municipal Judge stated:

"I support the efforts of the city to implement the suggestions and recommendations made by the State Auditor. As a part-time municipal judge, my duties are to conduct court and handle as many matters pertaining to the court as time may permit. Unfortunately Clever, like most other small towns, does not pay for additional time by the court for supervising administrative duties to be performed by the clerk nor am I vested with the authority to hire anyone for that purpose. I support the mayor's position to put in place another person to independently supervise the clerk's performance."

2.

Receipt Procedures

Poor procedures and controls over the collection of fines, court costs, and bonds contributed to the misappropriation of municipal division receipts identified in this report. According to municipal division records, approximately \$46,000 was collected during the year ended June 30, 2007, including approximately \$1,500 in bonds collected by the police department.

- Receipt slips were not issued for some monies received, and the method of payment (cash, check, or money order) was not always recorded on the receipt slip and reconciled to the deposits. As a result, unrecorded checks were substituted into municipal division deposits, and recorded cash receipts were not deposited and apparently misappropriated.
- Receipts were not always deposited on a timely basis. For example, only one deposit of municipal division funds was made in November 2007. The deposit, made on November 27, 2007, was for over \$4,000 and included numerous receipts from the beginning of the month. Additionally, the next deposit was not made until January 15, 2008, and totaled \$3,930. Approximately \$2,200 cash was missing from these two deposits.
- Access to court monies was not adequately controlled. Court monies received were sometimes clipped to the individual's case file and kept on a rolling file cart, accessible to all city employees, until deposited.
- The municipal division did not always issue receipt slips for bond monies transmitted to the court from the police department. While the police department wrote a receipt slip for the bond monies they collected, there was no documentation to support the transfer of funds from the police department to the municipal division.
- Payment agreement forms used by the municipal division to establish payment plans for defendants are not prenumbered. As a result, the court could not ensure all instances where a defendant was paying partial payments were accounted for properly.

- Bond forms used by the police department are not prenumbered to properly account for all bonds received.

To ensure all receipts are accounted for properly and deposited intact, receipt slips, with the method of payment documented, should be issued for all monies received, and the composition of the receipt slips should be reconciled to the composition of the deposits. Had such a comparison been performed, some of the misappropriation noted earlier in this report may have been detected.

Additionally, the failure to deposit timely and limit access to undeposited receipts to a minimum number of persons increases the risk of theft or misuse of funds. Also, the transfer of bonds monies from the police department to the municipal division should be documented, and an independent reconciliation of bonds collected by the police department to the bonds deposited by the Court Clerk should be performed. Further, bond forms and payment agreements should be prenumbered and the numerical sequence should be accounted for fully.

WE RECOMMEND the city of Clever Municipal Division issue receipt slips for all monies received with the method of payment documented, and reconcile the composition of receipt slips to the composition of deposits. Additionally, receipts should be deposited intact timely with access to court monies limited. Further, bonds collected by the police department should be reconciled to bonds deposited by the Court Clerk, and bond forms and payment agreement forms should be prenumbered and the numerical sequence accounted for fully.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge provided the following response:

We have recently made numerous improvements in procedures and controls over the collection of fines, court costs, and bonds. Receipt slips are now issued for all monies received and the method of payment is reconciled to the deposits. Deposits are made at least weekly. Court monies are now kept in a separate cash box until deposited. Receipt slips are now issued to the Clever Police Department for all bonds transmitted to the court by Clever Police Department personnel. We are working toward obtaining prenumbered bond forms and payment agreement forms.

3.	Segregation of Duties
-----------	------------------------------

The duties of receiving, recording, depositing, reconciling, and disbursing court receipts were not adequately segregated, and the work performed by various city employees related to the municipal division was not adequately reviewed. Had such controls been in place, some of the misappropriation noted in this report may have been prevented.

The Court Clerk, the Assistant City Clerk, and various other city employees all perform duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by these various city employees. The lack of adequate supervision and oversight have placed funds at risk, resulting in the misappropriation of municipal division funds.

WE RECOMMEND the city of Clever Municipal Division adequately segregate the duties of receiving, recording, depositing, reconciling, and disbursing court receipts. If such segregation is not possible, a documented periodic review of municipal division records by an independent person should be established.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge provided the following response:

We are in the process of implementing oversight procedures by an independent person and providing increased reporting to the city council of court related activity.

4. Court Records and Procedures
--

The final disposition of each case is not consistently documented on the court dockets, Crime Victims Compensation and Police Officers Standard Training and Commission Fund collections were not remitted to the state timely, monthly reports documenting the court's caseload have not been filed with the Office of State Court Administrator timely, and the court does not file a monthly report of all cases heard with the city. In addition, monthly listings of open items (liabilities) were not prepared and reconciled to the available cash balance for the bond account, and city employees are allowed to amend traffic violations and collect double the fine amount without documented approval from the Prosecuting Attorney or Municipal Judge.

- A. The final disposition of each case is not consistently documented on the court dockets. In addition, the April 2007 court docket could not be located. The ultimate disposition of each case should be recorded on the docket and all court records should be retained to ensure the proper disposition has been recorded in the court records. Section 479.070, RSMo, requires the proceeding for every case commenced before the court to be entered on the docket.
- B. Crime Victims Compensation (CVC) and Police Officers Standard Training and Commission (POST) Fund collections were not remitted to the state on a timely basis. For example, CVC receipts collected from March through December 2007, totaling \$763, were not remitted to the state until February 2008. Additionally, monthly reports documenting the court's caseload have not been filed with the Office of State Court Administrator since March 2007, and the court does not file a monthly report of all cases heard with the city.

Section 479.080, RSMo requires the municipal division to disburse fines and court costs to the city or state, as applicable, at least monthly. In addition, Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the Clerk or Municipal Judge and filed with the city.

- C. Monthly listings of open items (liabilities) were not prepared and reconciled to the available cash balance for the bond account. The bond account had a cash balance of \$862 and \$1,090 at June 30, 2007 and 2006, respectively. Monthly listings of open items should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified shortages should be investigated immediately and appropriate action taken.
- D. City employees receipting court monies are allowed to amend traffic violations to violations which result in no points assessed on the defendants' driving records. The defendant pays double the fine on the amended violation. Neither the city's Prosecuting Attorney nor the Municipal Judge provide adequate oversight or document their approval of this process.

Further, municipal division personnel indicated required traffic offenses have not been reported to the Missouri Department of Revenue (DOR) in over a year and they are now having difficulty determining whether some of these tickets were amended, due to lack of adequate documentation of amended tickets.

To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign or initial all amended tickets indicating his approval, and the amount of fines on amended tickets should be determined and documented by the Municipal Judge. Additionally, Section 302.225, RSMo, requires that records of any pleas or findings of guilty on traffic violations under the laws of the state, county or municipal ordinance be reported to the DOR within seven days of the conviction date.

WE RECOMMEND the city of Clever Municipal Division:

- A. Ensure the proper disposition of cases is documented on the court dockets, and all court dockets are maintained.
- B. Establish procedures to ensure amounts are disbursed to the state monthly, and all required reports are timely filed.
- C. Prepare monthly listings of bond open items and reconcile the listing with the balance in the bond account.

- D. Require the Prosecuting Attorney's signature on all amended tickets, and ensure the Municipal Judge's determination of fines on amended tickets is documented. Further, the court should ensure all required traffic offenses are reported to the Missouri Department of Revenue in accordance with state law.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge provided the following responses:

- A. *All court dockets are now retained and properly filed. We will improve the documentation of court activity on court dockets.*
- B. *All amounts are now disbursed to the state timely and all required reports will be filed.*
- C. *Currently all bonds received are being properly accounted for and we will attempt to determine the proper disposition of the balance of the bond account from the time period of the former court clerk.*
- D. *All required offenses are now being reported to the Missouri Department of Revenue. The Prosecuting Attorney and Municipal Judge will review current procedures regarding amended tickets to determine any changes needed.*

5. Ticket Accountability

Neither the police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers; however no record is maintained to account for the numerical sequence of each individual ticket. Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing.

WE RECOMMEND the city of Clever Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge provided the following response:

We are in the process of establishing procedures to account for the numerical sequence of all tickets.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF CLEVER
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Clever Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney counties. The Honorable Mark Orr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	Mark Rundel
City Clerk/Court Clerk	Julia Keithley (1)

- (1) Misti Clinkingbeard, who began employment with the city in August 2007 as Assistant City Clerk, assumed the duties of City Clerk/Court Clerk following the termination of Julia Keithley on December 17, 2007. Clinkingbeard terminated employment on February 25, 2008. Kristy Stewart began employment as the City Clerk on March 3, 2008. Mayor Trisha Elam and other temporary employees have assisted with court related duties.

Financial and Caseload Information

	Year Ended June 30, 2007
Receipts	\$ 45,958
Number of cases filed	374

DOCUMENTATION TO SUPPORT AUDIT FINDINGS

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF CLEVER
MUNICIPAL DIVISION
DOCUMENTATION TO SUPPORT AUDIT FINDINGS

MANAGEMENT ADVISORY REPORT, PART 1.A.

Missing fines and costs:

Deposit Date	Receipt Numbers	Cash Receipts*	Cash Deposited	Missing Receipts	
7/21/2006	2846-2851	\$ 150	-	150	
8/8/2006	2857-2867	243	50	193	**
8/24/2006	2868-2875	223	123	100	**
6/6/2007	3123-3149	1,119	679	440	
9/28/2007	3226-3241	724	631	93	
11/28/2007	3279-3308	589	2	587	
1/15/2008	3309-3349	1,886	269	1,617	***
2/28/2008	3350-3365	348	50	298	****
		\$ <u>5,282</u>	<u>1,804</u>	<u>3,478</u>	

Missing bonds:

Receipt Date	Receipt Number	Bond Amount	
2/23/2007	3343	\$ 250	
3/30/2007	3097	300	
5/9/2007	3347	250	
5/18/2007	3348	200	
11/15/2007	3350	150	
		\$ <u>1,150</u>	*****

* Represents only those receipts marked cash or receipts unmarked but appear to be cash.

** Receipt #2865 included in August 24, 2006 deposit. The cash deposited for August 24, 2006 has been increased for a \$75 check to the city's petty cash fund included in the deposit.

*** Cash deposited includes \$18 of the cash missing from receipt number 3329 that was located in the case file and deposited in March 2008.

**** Excludes receipt numbers 3352, 3356 and 3357 which were included in subsequent deposits. The \$298 missing represents two receipts marked cash and dated February 4 and 5, 2008.

***** Receipt number 3097 received by Court Clerk. Remaining bonds received by police department.



Susan Montee, CPA
Missouri State Auditor

Thirty-Ninth Judicial Circuit

City of Cassville Municipal Division



July 2008

Report No. 2008-43

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

An audit was conducted by our office of the Thirty-Ninth Judicial Circuit, city of Cassville Municipal Division.

Receipt slips are not issued for bonds received; therefore, the court has no assurance that all bond monies collected are being properly deposited. Approximately \$44,300 was deposited during the two years ended December 31, 2007. In addition, bank reconciliations and listings of open items (liabilities) are prepared monthly; however, they are not compared to ensure all liabilities are identified.

The court's depositing schedule results in funds being transported to the bank twice and handled by several city employees before being credited to the city's account. The court should consider limiting the number of times monies are handled.

The accounts receivable records maintained by the Court Clerk are not always updated timely, and include old, inactive cases. Better follow-up of the delinquent accounts is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court.

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YELLOW SHEET

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF CASSVILLE
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Ninth Judicial Circuit
and
Municipal Judge
Cassville, Missouri

We have audited certain operations of the city of Cassville Municipal Division of the Thirty-Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Cassville Municipal Division of the Thirty-Ninth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Jay Ross

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF CASSVILLE
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Court Controls and Procedures

Better controls and procedures are needed to account for bond monies collected. In addition, controls over open items (liabilities), the court's depositing schedule, and monitoring amounts due the court need improvement. Also, access to the court's computer system is not adequately restricted and the Court Clerk approved a case disposition with the Municipal Judge's signature stamp.

- A. Receipt slips are not issued for bonds received; therefore, the court has no assurance that all bond monies collected are being properly deposited. Bond monies are received by the Court Clerk and deposited into the bond account. Approximately \$44,300 was deposited during the two years ended December 31, 2007. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, a prenumbered receipt slip should be issued for all monies received, and the receipts slips should be reconciled to amounts deposited.
- B. Bank reconciliations and listings of open items (liabilities) are prepared monthly; however, they are not compared to ensure all liabilities are identified. A difference of approximately \$300 existed between the reconciled bank balances and the open items listings at December 31, 2007. The city indicated these differences resulted from several years of accumulated interest that had not been tracked.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded.

- C. At approximately noon each day, the Court Clerk balances her drawer and transmits the money to the City Clerk for deposit. The City Clerk combines the money collected by the Court Clerk with other city collections and prepares the deposit slip. The deposit is then taken to the bank shortly after noon each day by a city police officer. At the end of the day, monies collected in the afternoon by the court and the city are placed in a money bag, locked, and dropped in the bank's night depositary by a city police officer. The next day a city police officer retrieves the money bag from the bank and returns it to the Court Clerk or city, whichever applies. These funds are combined with the morning collections and then are transmitted to the City Clerk for deposit.

To adequately safeguard receipts and reduce the number of times monies are handled, the court, along with the city, should consider preparing a deposit later in the day and drop and leave the money in the bank's night depository. Any undeposited receipts held overnight should be properly secured.

- D. The accounts receivable records maintained by the Court Clerk are not always updated timely, and include old, inactive cases dating back to 1996 that have amounts still due. Also, accounts receivable information is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective.

The municipal division allows defendants to sign a payment plan agreement and pay fines and costs over a period of time. At May 2008, municipal division records indicated an accounts receivable balance of approximately \$124,600. This balance included numerous old inactive cases, and in some instances the court had recalled the warrant for the defendant. Procedures should be instituted to periodically review these old cases to determine the court's ability to collect these unpaid amounts. We also noted three cases on the accounts receivable records that were paid in full, but the accounts receivable listing had not been updated for the payment.

Better follow-up of the delinquent accounts is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court. Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. Also, updated accounts receivable listings are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

- E. Computer passwords are not changed on a periodic basis to ensure confidentiality. Without procedures to periodically change passwords, there is less assurance that passwords effectively limit access to the data files and programs to only those individuals who need access for completion of job responsibilities, and to reduce the possibility of unauthorized users.
- F. The Court Clerk maintains custody of the Municipal Judge's signature stamp which she generally uses for correspondence. However, we noted one instance where a court case docket was approved using the judge's signature stamp.

Using a signature stamp in this manner lessens the controls over having the Municipal Judge review the case docket and increases the risk of court cases being handled improperly.

WE RECOMMEND the city of Cassville Municipal Division:

- A. Ensure prenumbered receipt slips are issued for all bond monies received, and receipts are reconciled to deposits.
- B. Reconcile liabilities to the cash balances on a monthly basis and investigate any differences.
- C. Along with the city, consider preparing a deposit later in the day and leaving the money in the bank's night depositary for deposit. Any moneys held overnight by the court or city should be properly secured.
- D. Establish procedures to better monitor unpaid fines and court costs, take steps to maximize collections, and ensure the accounts receivable report listing is accurate.
- E. Ensure passwords are periodically changed.
- F. Require the Municipal Judge to sign the court docket sheets and discontinue the use of a signature stamp for the Municipal Judge.

AUDITEE'S RESPONSE

The Municipal Judge, the Finance Officer, and the Municipal Court Clerk provided the following responses:

- A. *We agree with your recommendation and recently ordered a receipt book and are issuing receipts for bond monies. The reason that we did not do that previously is because all bond receipts were from the county jail and paid by check. The check from the jail was deposited into the bond account and reconciled monthly when the municipal bond account was reconciled. We are now writing individual receipts for each bond sheet paid by the check and filing the receipt with the bond sheet.*
- B. *We agree with your recommendation and have started identifying the accumulated interest portion of the cash in the bond account. Although I reconcile the bank and the bond account monthly, I did not identify the outstanding cash in the bank except for the amount that tied back to the bond liability account. Basically what I did was identify every transaction that was deposited and disbursed in the bond bank account and tied those back to the booked transactions (expense and revenue) and the outstanding bonds (liability). The interest had been accumulating since 1995. When the auditor requested the reconciliation, I went back each year and was able to reconcile to the interest earned except for one error of \$23.50 which was for court costs that were accidentally applied from the bond account.*
- C. *We would prefer not to do this for two reasons, one is that we reconcile the cash register drawers at noon while the office is closed and locked. We feel that this gives us greater*

security and safety. The second reason is that since we are depositing the cash at noon, those funds are processed the same day. If we waited until after 2:30, the funds would not be credited to our account until the following day. We feel that the money is well secured since we send a locked bank bag to the bank for over-night safekeeping. The court clerk has the only key to the court bag and the utility billing clerk has the only key for the city bag. The bank does not have keys. The bags are transported by police officers.

- D. We agree that we need to work on improving these procedures. We have addressed that by entering into an agreement with the Office of State Courts Administrator to implement the Justice Information System (JIS). This agreement was approved at the June 16, 2008 council meeting. Training for our staff has already been scheduled by the State for August of this year. We are very excited about the system and feel that it will allow us greater internal controls and reporting. We are scheduled to go live on September 10, 2008.*
- E. We agree that we need to do this; in addition, the JIS system has excellent password safeguards built into their system.*
- F. We agree that the Municipal Judge should sign every court docket sheet and were surprised that there was one sheet that was signed with the signature stamp. That was an error on our part and should not have happened. However, we do need to use the signature stamp for correspondence that the Judge has authorized since he is only here in person one day a week for court. He is always accessible by phone and in his absence the signature stamp is routinely used (except for docket sheets). Our court clerk communicates with him by phone frequently on matters that need his direction.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF CASSVILLE
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Cassville Municipal Division is in the Thirty-Ninth Judicial Circuit, which consists of Barry, Lawrence, and Stone counties. The Honorable Robert S. Wiley serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At December 31, 2007, the municipal division employees were as follows:

Municipal Judge	Dale Burke
Court Clerk	Jennifer Privett (1)

(1) Michelle Holenda served as Court Clerk prior to September 2007.

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 142,996	98,307
Number of cases filed	1,162	1,081



Susan Montee, CPA
Missouri State Auditor

Thirty-Ninth Judicial Circuit

City of Aurora Municipal Division



July 2008

Report No. 2008-42

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

July 2008

An audit was conducted by our office of the Thirty-Ninth Judicial Circuit, city of Aurora Municipal Division.

Better controls and procedures are needed to account for monies collected by the municipal division, and more oversight is needed over the monitoring of amounts due to the municipal division, as the amount of unpaid fines and court costs has increased significantly during the last year. The Court Clerk does not file a monthly report of all cases heard with the city, access to the court's computer system is not adequately restricted, and backup disks are not stored at an off-site location. In addition, improvements are needed to account for bond monies collected by the Police Department and to account for traffic tickets.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF AURORA
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Ninth Judicial Circuit
and
Municipal Judge
Aurora, Missouri

We have audited certain operations of the city of Aurora Municipal Division of the Thirty-Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Aurora Municipal Division of the Thirty-Ninth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Jay Ross
	David Olson
	Wayne Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF AURORA
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Court Controls and Procedures
-----------	--------------------------------------

Better controls and procedures are needed to account for monies collected by the municipal division. In addition, improvement is needed over the monitoring of amounts due to the municipal division, as the amount of unpaid fines and court costs has increased significantly during the last year. The Court Clerk does not file a monthly report of all cases heard with the city, access to the court's computer system is not adequately restricted, and backup disks are not stored at an off-site location.

- A. Better reconciliation procedures are needed between amounts recorded and amounts deposited. The city collector's office accepts cash, checks, and money orders for payment of fines, court costs and bonds along with other city receipts. Payment information is recorded on a manual receipt slip and entered into the city's cash register system. While payment information from the cash register is agreed to the deposit, payment information from the manual receipt slips is not agreed to the deposit. We noted instances where the amount recorded on the manual receipt slips differed from the amount record in the cash register system. While differences were generally small, explanations for the differences were not documented. Also, the method of payment recorded on the manual receipt slip occasionally varied from the method posted to the cash register, and we noted instances when the method of payment was not recorded on the manual receipt slips.

To ensure all receipts are accounted for and deposited intact, the method of payment should be indicated on all receipt slips, and the amount and method of payment should be reconciled to the city's cash register system, and to the monies deposited into the city treasury.

- B. The numerical sequence of receipt slips is not accounted for properly and receipts are not always deposited intact. For example, some receipt slips were not issued in order and receipts were not always deposited in the order in which they were received. Also, the top copy of some voided receipt slips was not retained.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact and receipt slips should be issued in order. Also, voided receipt slips should be properly defaced and retained.

- C. The amount of unpaid fines and court costs owed to the municipal division has increased from \$50,848 to \$70,907 (about 39 percent) between December 2006

and December 2007, and better monitoring procedures over amounts due should be implemented. In October 2006, the municipal division increased fines substantially, and the Court Clerk believes this has led to an increase in unpaid amounts. However, accounts receivable information maintained by the Court Clerk is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective.

In May 2008, the court implemented the Justice Information System (JIS), a statewide automated records keeping system and plans to begin participating in the statewide debt collection system to increase collections of unpaid fines and costs. The Court Clerk and Municipal Judge should take steps to improve monitoring over the amounts due to the municipal division and ensure adequate steps are taken to maximize collections.

- D. The Court Clerk does not file a monthly report of all cases heard with the city. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the city.
- E. Computer passwords are not changed on a periodic basis to ensure confidentiality, and backup disks are not stored at an off-site location.

Without procedures to periodically change passwords, there is less assurance that passwords effectively limit access to data files and programs to only those individuals who need access for completion of job responsibilities, and to reduce the possibility of unauthorized users.

Also, backup of computer information provides a means for recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original computer data. Backup disks should be maintained and stored off-site to provide increased assurance that court data can be recreated.

WE RECOMMEND the city of Aurora Municipal Division:

- A. Reconcile payment information recorded on receipt slips to the monies deposited to the city treasury. Also, the method of payment should be indicated on all receipt slips and the composition of receipt slips reconciled to the composition of monies deposited.
- B. Account for the numerical sequence of receipt slips and ensure receipts are deposited intact. Also, all copies of voided receipt slips need to be retained.
- C. Establish procedures to better monitor unpaid fines and court costs, and take steps to maximize collections.

- D. Prepare monthly reports of cases heard in court and file the reports with the city in accordance with state law.
- E. Ensure passwords are periodically changed and backup disks are stored in a secure, off-site location.

AUDITEE'S RESPONSE

The Municipal Judge, Court Administrator, Police Chief, and City Collector provided the following responses:

- A. *All clerical discrepancies will be noted on the final daily cash register report. The Court has implemented the Justice Information System which requires the payment type for all payments receipted into the system. The City Collector no longer deposits Court receipts into the City Treasury but into a separate account for the Court. The Collector's daily deposits are reconciled with the payments and payment types entered into the Justice Information System.*
- B. *Since the implementation of the Justice Information System, all Court receipts are deposited in a separate bank account with its own receipt system. This separates the Court receipts from the City receipts and allows for sequential receipts that are deposited in order. A copy of all receipts will be retained.*
- C. *The Court is participating in the statewide debt collection system, through the Justice Information System, to maximize collections. A monthly accounts receivable report will be provided to the Judge for review.*
- D. *The Office of State Courts Administrator is reviewing Section 479.080.3, RSMo and will be working towards creating a report through the Justice Information System that will comply with the law.*
- E. *The Court has implemented the Justice Information System which is an Internet based application. Files are maintained in Jefferson City and another secure location. Access to the system is synchronized through a RAS token, which changes the password every minute.*

2. Bond Controls and Procedures
--

Improvements are needed to account for bond monies collected by the Police Department and to account for traffic tickets.

- A. The following concerns relating to bonds were noted:
 - 1. Bond monies collected by the Police Department are not transmitted to the city in a timely manner. The Police Department collects an average of

approximately \$4,000 per month in bond receipts and transmits these funds to the court approximately weekly. To adequately safeguard receipts, monies should be transmitted more often than once a week.

2. The Police Department issues prenumbered bond forms; however, the numerical sequence of the bond forms is not accounted for and some bond forms were not issued in order. To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all bond receipts are accounted for properly, procedures to account for the numerical sequence of bond forms should be established.
 3. Some copies of voided bond forms were not retained. To ensure that all bond receipts are properly accounted for, all copies of voided bond forms should be properly defaced and retained.
- B. The Police Department does not maintain records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The Police Department maintains a log of ticket books assigned to officers; however, records accounting for the numerical sequence and showing the ultimate disposition for each ticket issued are not maintained.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the Police Department cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as the ultimate disposition of each document.

WE RECOMMEND the city of Aurora Municipal Division, along with the Police Department:

- A.1. Transmit all bond monies timely.
 2. Establish procedures to account for the numerical sequence of bond forms.
 3. Retain all voided bond forms.
- B. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Municipal Judge, Court Administrator, Police Chief and City Collector provided the following responses:

- A.1. *Effective immediately, bond money will be transferred from the Police Department's locked depository to the City Collector daily, Monday through Friday.*

2. *Employees responsible for the completion of bond forms shall insure all forms are issued in the proper numerical sequence. A log has been established for the issuing employee to sign and record the number of the form issued, thus fixing the responsibility for the proper issuance of the form.*
3. *A written directive has been issued and training has been provided to employees that issue bond forms regarding the proper handling and retention of voided bond forms.*

Accountability – The Chief Dispatcher is responsible for monitoring bond procedures to ensure compliance.

- B. *The Police Department's new Records Management System, operational in May 2008, has a Citation Module that tracks, by citation number, the disposition of each citation whether the citation is sent to City Court, State Court, or voided with proper approval.*

It is believed that these new procedures and closer monitoring will eliminate the issues outlined in the state audit.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-NINTH JUDICIAL CIRCUIT
CITY OF AURORA
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Aurora Municipal Division is in the Thirty-Ninth Judicial Circuit, which consists of Barry, Lawrence, and Stone counties. The Honorable Robert S. Wiley serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At December 31, 2007, the municipal division employees were as follows:

Municipal Judge	Andy Hagar
Court Clerk	Donna Elery
City Collector	Sherri Gregory

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 93,279	105,006
Number of cases filed	845	790



Susan Montee, CPA
Missouri State Auditor

Schuyler County



June 2008

Report No. 2008-41

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Schuyler, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

Budgetary and financial statement procedures are in need of improvement. The approved budget document did not adequately project anticipated disbursements and the ending cash balance for some county funds. For several funds, budgets included erroneous classifications of receipts, disbursements, and transfers. In addition, the County Commission budgeted deficit fund balances for the General Revenue Fund in the 2008, 2007, and 2006 budgets. Also, the county's annual published financial statements did not include the detailed information required by state statute.

The financial condition of the General Revenue Fund is deteriorating. The cash balance of the fund has declined from \$117,408 at December 31, 2004 to \$81,417 at December 31, 2007. However, the 2007 balance would have been much lower if the General Revenue Fund had not borrowed from the Special Road and Bridge Fund. As of December 31, 2007, the General Revenue Fund owed the Special Road and Bridge Fund \$60,227.

The county has not adopted procedures to monitor or assess the results of the actual sales tax rollbacks and to consider any differences noted in prior years when calculating the current year's rollback. As a result, property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of approximately \$12,500 at December 31, 2007.

County property records are not adequate and records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed. Periodic reconciliations of the fuel usage and purchases to the calculated fuel on hand are not performed.

Time sheets are not prepared by county employees, other than dispatchers and road and bridge employees. The payroll clerk pays employees that do not submit time sheets the same amount each pay period unless told otherwise. Some sheriff's department employees are salaried and work overtime; however, no record is maintained of the overtime worked. In addition, the County Clerk's office does not maintain centralized records of leave or compensatory balances or the associated liabilities.

(over)

YELLOW SHEET

The county did not always solicit bids or bid documentation was not always retained for various purchases. The county does not always solicit proposals or retain documentation of proposals for engineering services. As a result, there was no evidence that the best qualified firm was selected for engineer's fees totaling approximately \$12,770 during 2006.

Policies and procedures over the sale of road and bridge materials are not adequate. As a result of the lack of consistent policies and procedures, the county does not have one complete record of all sales of materials and may be purchasing materials for use by individuals and not recouping the costs. In addition, inventory records of materials are not maintained. Similar conditions were noted in our prior report.

The Ex Officio Recorder of Deed's office procedures related to receipts and disbursements are in need of improvement. Monies received are not always deposited intact. Some monies received are held from the deposits to make change and purchase postage. When tracing manual receipt slips to the Ex Officio Recorder's ledger and deposit slips, we noted four instances where the monies were not posted to the ledger or deposited. The Ex Officio Recorder indicated that these monies must have been placed in the change fund. In addition, prenumbered receipt slips are not issued for some recording fees received, the numerical sequence of receipt slips is not accounted for, and the composition of receipt slips issued is not reconciled to the composition of deposits.

Cash custody and accounting duties have not been adequately segregated in the Sheriff's office. Although bank reconciliations are prepared, the bank reconciliations are not complete and the bank balance is not reconciled to a monthly listing of open items (liabilities). The Sheriff's office should disburse all monies monthly; however, the reconciled bank balance was \$1,183, which included inmate monies from a 1997 police investigation, a bond received during 2000, and mileage reimbursements received from the courts for summonses served during 2003, 2004, and 2005. In addition, receipt procedures are in need of improvement.

The audit also includes recommendations to improve procedures for approving and paying invoices, mileage reimbursement requests submitted by the Sheriff, and Public Administrator fees. Additional concerns regarding controls were noted for the Assessor.

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SCHUYLER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Schuyler County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Schuyler County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 3, 2008, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Schuyler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

April 3, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Julie M. Moore
Audit Staff:	Matthew Schulenberg Nathaniel Fast



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Schuyler County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Schuyler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Schuyler County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

April 3, 2008

Financial Statements

Exhibit A-1

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 90,403	429,364	428,506	91,261
Special Road and Bridge	443,584	768,179	839,159	372,604
Assessment	1,563	57,549	55,905	3,207
Law Enforcement Training	791	1,225	1,135	881
Prosecuting Attorney Training	172	209	379	2
Law Sales Tax	0	246,153	246,153	0
Recorder's User Fees	8,615	2,168	595	10,188
Sales Tax Trust	135,934	126,939	126,395	136,478
Prosecuting Attorney Bad Check	1,220	8,505	3,322	6,403
Sheriff's Civil Service	1,471	2,417	3,021	867
Special Election	53	17,624	17,677	0
Recorder's	4,277	1,096	1,469	3,904
County Clerk 5% Election Services	15,936	875	2,279	14,532
Senior Citizens Service	2,715	18,216	16,632	4,299
Domestic Violence	955	204	0	1,159
Collector Tax Maintenance	6,397	4,438	1,671	9,164
Sheriff's Revolving	921	52	0	973
Circuit Court Interest	728	960	0	1,688
Associate Judge Interest	193	390	0	583
Law Library	1,394	2,481	1,708	2,167
Total	\$ 717,322	1,689,044	1,746,006	660,360

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 117,408	378,791	405,796	90,403
Special Road and Bridge	415,595	575,065	547,076	443,584
Assessment	4,656	52,675	55,768	1,563
Law Enforcement Training	732	1,452	1,393	791
Prosecuting Attorney Training	166	226	220	172
Law Sales Tax	1,056	264,290	265,346	0
Recorder's User Fees	7,016	1,932	333	8,615
Sales Tax Trust	133,251	131,172	128,489	135,934
Prosecuting Attorney Bad Check	887	4,138	3,805	1,220
Sheriff's Civil Service	953	3,618	3,100	1,471
Special Election	53	6,028	6,028	53
Recorder's	3,455	1,319	497	4,277
County Clerk 5% Election Services	561	20,169	4,794	15,936
Senior Citizens Service	1,760	17,988	17,033	2,715
Domestic Violence	800	155	0	955
Collector Tax Maintenance	5,264	3,602	2,469	6,397
Sheriff's Revolving	1,551	151	781	921
Circuit Court Interest	576	720	568	728
Associate Judge Interest	606	215	628	193
Law Library	532	2,397	1,535	1,394
Community Development Block Grant	1,000	0	1,000	0
Total	\$ 697,878	1,466,103	1,446,659	717,322

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 1,877,691	1,689,044	(188,647)	1,422,547	1,466,103	43,556
DISBURSEMENTS	2,354,563	1,746,006	608,557	1,760,847	1,445,659	315,188
RECEIPTS OVER (UNDER) DISBURSEMENTS	(476,872)	(56,962)	419,910	(338,300)	20,444	358,744
CASH, JANUARY 1	716,912	717,322	410	696,868	696,878	10
CASH, DECEMBER 31	240,040	660,360	420,320	358,568	717,322	358,754
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	102,500	112,628	10,128	103,500	102,092	(1,408)
Sales taxes	125,000	122,177	(2,823)	128,000	125,660	(2,340)
Intergovernmental	19,485	12,368	(7,117)	18,580	20,208	1,628
Charges for service	68,500	69,215	715	73,800	69,251	(4,549)
Interest	6,000	3,876	(2,124)	900	3,839	2,939
Other	6,435	5,328	(1,107)	7,135	7,377	242
Transfers in	59,389	103,772	44,383	22,959	50,364	27,405
Total Receipts	387,309	429,364	42,055	354,874	378,791	23,917
DISBURSEMENTS						
County Commissior	47,843	47,036	807	47,538	47,209	329
County Clerk	42,187	40,730	1,457	42,887	41,096	1,791
Elections	18,500	13,242	5,258	6,200	0	6,200
Buildings and grounds	41,600	32,980	8,620	39,600	35,776	3,824
Employee fringe benefit	14,300	12,458	1,842	14,750	12,657	2,093
County Treasurer	23,249	22,770	479	23,140	23,181	(41)
County Collector	40,110	38,418	1,692	39,560	38,918	642
Circuit Clerk	3,600	2,244	1,356	3,200	2,776	424
Associate Circuit Court	3,000	2,243	757	3,050	1,950	1,100
Associate Circuit (Probate)	250	196	54	250	130	120
Court administration	8,587	3,806	4,781	4,587	5,357	(770)
Public Administrator	13,750	13,432	318	14,294	14,294	0
General County Government	66,459	51,207	15,252	59,237	53,550	5,687
Public health and welfare service	10,860	10,567	293	11,700	11,700	0
Transfers out	142,641	128,399	14,242	122,931	108,933	13,998
Emergency Fund	11,540	8,778	2,762	10,412	8,269	2,143
Total Disbursements	488,476	428,506	59,970	443,336	405,796	37,540
RECEIPTS OVER (UNDER) DISBURSEMENTS	(101,167)	858	102,025	(88,462)	(27,005)	61,457
CASH, JANUARY 1	89,993	90,403	410	117,408	117,408	0
CASH, DECEMBER 31	(11,174)	91,261	102,435	28,946	90,403	61,457

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	229,000	228,005	(995)	235,000	229,427	(5,573)
Intergovernmental	627,500	472,074	(155,426)	306,328	305,816	(512)
Charges for services	9,000	12,065	3,065	9,000	17,580	8,580
Interest	16,000	27,574	11,574	3,600	15,815	12,215
Other	5,500	2,656	(2,844)	5,800	6,427	627
Transfers in	25,805	25,805	0	0	0	0
Total Receipts	912,805	768,179	(144,626)	559,728	575,065	15,337
DISBURSEMENTS						
Salaries	210,000	172,071	37,929	200,000	177,471	22,529
Employee fringe benefit	31,500	25,860	5,640	27,000	23,534	3,466
Supplies	104,000	63,901	40,099	67,000	67,438	(438)
Insurance	15,000	13,285	1,715	15,000	13,891	1,109
Road and bridge materials	270,000	188,603	81,397	210,000	93,316	116,684
Equipment repairs	40,000	19,789	20,211	40,000	26,337	13,663
Rentals	10,000	5,439	4,561	10,000	5,355	4,645
Equipment purchases	150,000	43,562	106,438	160,000	51,562	108,438
Construction, repair, and maintenance	177,500	157,123	20,377	0	4,425	(4,425)
Other	179,789	45,754	134,035	36,288	33,383	2,905
Transfers out	59,389	103,772	(44,383)	22,959	50,364	(27,405)
Total Disbursements	1,247,178	839,159	408,019	788,247	547,076	241,171
RECEIPTS OVER (UNDER) DISBURSEMENTS	(334,373)	(70,980)	263,393	(228,519)	27,989	256,508
CASH, JANUARY 1	443,584	443,584	0	415,595	415,595	0
CASH, DECEMBER 31	109,211	372,604	263,393	187,076	443,584	256,508
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	59,563	55,874	(3,689)	60,201	51,320	(8,881)
Charges for services	850	813	(37)	1,055	801	(254)
Interest	350	445	95	150	318	168
Other	255	417	162	660	236	(424)
Transfers in	2,106	0	(2,106)	1,436	0	(1,436)
Total Receipts	63,124	57,549	(5,575)	63,502	52,675	(10,827)
DISBURSEMENTS						
Assessor	63,124	55,905	7,219	63,107	55,768	7,339
Total Disbursements	63,124	55,905	7,219	63,107	55,768	7,339
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,644	1,644	395	(3,093)	(3,488)
CASH, JANUARY 1	1,563	1,563	0	4,656	4,656	0
CASH, DECEMBER 31	1,563	3,207	1,644	5,051	1,563	(3,488)

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	315	500	185	500	513	13
Charges for service:	915	704	(211)	1,200	926	(274)
Interest	12	21	9	5	13	8
Total Receipts	1,242	1,225	(17)	1,705	1,452	(253)
DISBURSEMENTS						
Sheriff	2,000	1,135	865	2,400	1,393	1,007
Total Disbursements	2,000	1,135	865	2,400	1,393	1,007
RECEIPTS OVER (UNDER) DISBURSEMENTS	(758)	90	848	(695)	59	754
CASH, JANUARY 1	791	791	0	732	732	0
CASH, DECEMBER 31	33	881	848	37	791	754
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	300	195	(105)	300	220	(80)
Interest	5	14	9	0	6	6
Total Receipts	305	209	(96)	300	226	(74)
DISBURSEMENTS						
Prosecuting Attorney	477	379	98	400	220	180
Total Disbursements	477	379	98	400	220	180
RECEIPTS OVER (UNDER) DISBURSEMENTS	(172)	(170)	2	(100)	6	106
CASH, JANUARY 1	172	172	0	166	166	0
CASH, DECEMBER 31	0	2	2	66	172	106
<u>LAW SALES FUND</u>						
RECEIPTS						
Sales Taxes	125,000	122,309	(2,691)	128,000	125,662	(2,338)
Intergovernmental	1,500	643	(857)	0	1,609	1,609
Charges for service:	16,506	20,402	3,896	11,100	20,526	9,426
Other	5,500	205	(5,295)	4,200	7,560	3,360
Transfers in	114,730	102,594	(12,136)	121,495	108,933	(12,562)
Total Receipts	263,236	246,153	(17,083)	264,795	264,290	(505)
DISBURSEMENTS						
Sheriff	116,844	116,052	792	120,888	120,212	676
Jail	62,470	61,174	1,296	60,770	71,348	(10,578)
Prosecuting Attorney	41,142	38,613	2,529	40,636	40,614	22
Juvenile Office	9,500	5,043	4,457	10,217	7,531	2,686
Coroner	13,780	6,819	6,961	14,330	7,852	6,478
Fringe Benefits	19,500	18,452	1,048	19,000	17,789	1,211
Total Disbursements	263,236	246,153	17,083	265,841	265,346	495
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(1,046)	(1,056)	(10)
CASH, JANUARY 1	0	0	0	1,046	1,056	10
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	2,100	1,658	(442)	2,100	1,693	(407)
Interest	150	510	360	50	239	189
Total Receipts	2,250	2,168	(82)	2,150	1,932	(218)
DISBURSEMENTS						
Recorder	10,865	595	10,270	9,166	333	8,833
Total Disbursements	10,865	595	10,270	9,166	333	8,833
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,615)	1,573	10,188	(7,016)	1,599	8,615
CASH, JANUARY 1	8,615	8,615	0	7,016	7,016	0
CASH, DECEMBER 31	0	10,188	10,188	0	8,615	8,615
<u>SALES TAX TRUST FUND</u>						
RECEIPTS						
Sales taxes	125,000	122,160	(2,840)	130,000	125,659	(4,341)
Interest	5,740	4,779	(961)	700	5,513	4,813
Total Receipts	130,740	126,939	(3,801)	130,700	131,172	472
DISBURSEMENTS						
Rock and rock hauling	108,055	108,055	0	109,748	109,748	0
Road #4	18,340	18,340	0	18,627	18,627	0
CD penalty	0	0	0	0	114	(114)
Total Disbursements	126,395	126,395	0	128,375	128,489	(114)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,345	544	(3,801)	2,325	2,683	358
CASH, JANUARY 1	135,934	135,934	0	133,251	133,251	0
CASH, DECEMBER 31	140,279	136,478	(3,801)	135,576	135,934	358
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	4,000	8,486	4,486	2,600	4,138	1,538
Other	0	19	19	0	0	0
Total Receipts	4,000	8,505	4,505	2,600	4,138	1,538
DISBURSEMENTS						
Prosecuting Attorney	5,220	3,322	1,898	3,486	3,805	(319)
Total Disbursements	5,220	3,322	1,898	3,486	3,805	(319)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,220)	5,183	6,403	(886)	333	1,219
CASH, JANUARY 1	1,220	1,220	0	887	887	0
CASH, DECEMBER 31	0	6,403	6,403	1	1,220	1,219

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL SERVICE FUND</u>						
RECEIPTS						
Charges for service:	3,500	2,417	(1,083)	2,700	3,618	918
Total Receipts	3,500	2,417	(1,083)	2,700	3,618	918
DISBURSEMENTS						
Sheriff	4,971	3,021	1,950	3,600	3,100	500
Total Disbursements	4,971	3,021	1,950	3,600	3,100	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,471)	(604)	867	(900)	518	1,418
CASH, JANUARY 1	1,471	1,471	0	953	953	0
CASH, DECEMBER 31	0	867	867	53	1,471	1,418
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Charges for service:	27,000	17,624	(9,376)	11,800	6,028	(5,772)
Total Receipts	27,000	17,624	(9,376)	11,800	6,028	(5,772)
DISBURSEMENTS						
County Clerk	27,053	17,677	9,376	11,853	6,028	5,825
Total Disbursements	27,053	17,677	9,376	11,853	6,028	5,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	(53)	(53)	0	(53)	0	53
CASH, JANUARY 1	53	53	0	53	53	0
CASH, DECEMBER 31	0	0	0	0	53	53
<u>RECORDER'S FUND</u>						
RECEIPTS						
Charges for service:	1,250	1,096	(154)	1,300	1,319	19
Total Receipts	1,250	1,096	(154)	1,300	1,319	19
DISBURSEMENTS						
Recorder	5,527	1,469	4,058	4,755	497	4,258
Total Disbursements	5,527	1,469	4,058	4,755	497	4,258
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,277)	(373)	3,904	(3,455)	822	4,277
CASH, JANUARY 1	4,277	4,277	0	3,455	3,455	0
CASH, DECEMBER 31	0	3,904	3,904	0	4,277	4,277
<u>COUNTY CLERK 5% ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	54,350	0	(54,350)	25	19,724	19,699
Interest	450	875	425	3	445	442
Total Receipts	54,800	875	(53,925)	28	20,169	20,141
DISBURSEMENTS						
County Clerk	70,736	2,279	68,457	589	4,794	(4,205)
Total Disbursements	70,736	2,279	68,457	589	4,794	(4,205)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,936)	(1,404)	14,532	(561)	15,375	15,936
CASH, JANUARY 1	15,936	15,936	0	561	561	0
CASH, DECEMBER 31	0	14,532	14,532	0	15,936	15,936

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR CITIZENS FUND</u>						
RECEIPTS						
Property taxes	18,850	17,714	(1,136)	18,350	17,858	(492)
Intergovernmental	50	4	(46)	50	22	(28)
Interest	50	498	448	50	108	58
Total Receipts	18,950	18,216	(734)	18,450	17,988	(462)
DISBURSEMENTS						
Senior Center	12,500	12,500	0	12,500	12,500	0
Oats	4,500	3,585	915	4,500	4,518	(18)
Miscellaneous	4,165	47	4,118	3,210	15	3,195
Library	500	500	0	0	0	0
Total Disbursements	21,665	16,632	5,033	20,210	17,033	3,177
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,715)	1,584	4,299	(1,760)	955	2,715
CASH, JANUARY 1	2,715	2,715	0	1,760	1,760	0
CASH, DECEMBER 31	0	4,299	4,299	0	2,715	2,715
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	150	204	54	125	155	30
Total Receipts	150	204	54	125	155	30
DISBURSEMENTS						
Shelters	1,105	0	1,105	925	0	925
Total Disbursements	1,105	0	1,105	925	0	925
RECEIPTS OVER (UNDER) DISBURSEMENTS	(955)	204	1,159	(800)	155	955
CASH, JANUARY 1	955	955	0	800	800	0
CASH, DECEMBER 31	0	1,159	1,159	0	955	955
<u>COLLECTOR TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	3,500	3,952	452	3,800	3,419	(381)
Interest	275	486	211	40	183	143
Other	0	0	0	135	0	(135)
Total Receipts	3,775	4,438	663	3,975	3,602	(373)
DISBURSEMENTS						
Collector	10,172	1,671	8,501	9,239	2,469	6,770
Total Disbursements	10,172	1,671	8,501	9,239	2,469	6,770
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,397)	2,767	9,164	(5,264)	1,133	6,397
CASH, JANUARY 1	6,397	6,397	0	5,264	5,264	0
CASH, DECEMBER 31	0	9,164	9,164	0	6,397	6,397

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for service:	200	0	(200)	1,640	124	(1,516)
Interest	40	52	12	10	27	17
Total Receipts	240	52	(188)	1,650	151	(1,499)
DISBURSEMENTS						
Sheriff	1,161	0	1,161	1,647	781	866
Total Disbursements	1,161	0	1,161	1,647	781	866
RECEIPTS OVER (UNDER) DISBURSEMENTS	(921)	52	973	3	(630)	(633)
CASH, JANUARY 1	921	921	0	1,551	1,551	0
CASH, DECEMBER 31	0	973	973	1,554	921	(633)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Charges for service:	0	510	510	0	270	270
Interest	500	450	(50)	200	450	250
Total Receipts	500	960	460	200	720	520
DISBURSEMENTS						
Circuit Clerk	1,100	0	1,100	568	568	0
Total Disbursements	1,100	0	1,100	568	568	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	960	1,560	(368)	152	520
CASH, JANUARY 1	728	728	0	576	576	0
CASH, DECEMBER 31	128	1,688	1,560	208	728	520
<u>ASSOCIATE JUDGE INTEREST FUND</u>						
RECEIPTS						
Interest	200	390	190	65	215	150
Total Receipts	200	390	190	65	215	150
DISBURSEMENTS						
Associate Division Clerk	393	0	393	671	628	43
Total Disbursements	393	0	393	671	628	43
RECEIPTS OVER (UNDER) DISBURSEMENTS	(193)	390	583	(606)	(413)	193
CASH, JANUARY 1	193	193	0	606	606	0
CASH, DECEMBER 31	0	583	583	0	193	193
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	2,300	2,415	115	1,900	2,379	479
Interest	15	66	51	0	18	18
Total Receipts	2,315	2,481	166	1,900	2,397	497
DISBURSEMENTS						
Associate Judge	3,709	1,708	2,001	2,432	1,535	897
Total Disbursements	3,709	1,708	2,001	2,432	1,535	897
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,394)	773	2,167	(532)	862	1,394
CASH, JANUARY 1	1,394	1,394	0	532	532	0
CASH, DECEMBER 31	0	2,167	2,167	0	1,394	1,394

Notes to the Financial Statements

SCHUYLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Service Fund Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Community Development Block Grant Fund for the year ended December 31, 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sales Tax Trust Fund	2005
Prosecuting Attorney Bad Check Fund	2005
County Clerk 5% Election Services Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the General Revenue Fund for the year ended December 31, 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2006 and 2005, included all funds presented in the accompanying financial statements.

However, the county's published financial statements for the years ended December 31, 2006 and 2005, did not disclose the source of revenues and disbursement detail by vendor for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	2006 and 2005
Special Road and Bridge Fund	2006 and 2005
Assessment Fund	2006 and 2005
Law Enforcement Training Fund	2006 and 2005
Prosecuting Attorney Training Fund	2006 and 2005
Law Sales Fund	2006 and 2005
Recorder's User Fees Fund	2006 and 2005
Sales Tax Trust Fund	2006 and 2005
Prosecuting Attorney Bad Check Fund	2006 and 2005
Sheriff's Civil Service Fund	2006 and 2005
Special Election Fund	2006 and 2005
Recorder's Fund	2006 and 2005
County Clerk 5% Election Services Fund	2006 and 2005
Senior Citizens Fund	2006 and 2005
Domestic Violence Fund	2006 and 2005
Collector Tax Maintenance Fund	2006 and 2005
Sheriff's Revolving Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Associate Judge Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Schuyler County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Property Taxes

Through December 31, 2006, Schuyler County collected \$10,632 in excess property taxes. Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Schuyler County voters enacted a half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Schedule

SCHUYLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2006 AND 2005

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Schuyler County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SCHUYLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 3, 2008.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Responses. These MAR findings resulted from our audit of the financial statements of Schuyler County but do not meet the criteria for inclusion in the written report on internal control over financial reporting and on compliance and other matters that is required for an audit performed in accordance with *Government Auditing Standards*. Schuyler County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1.**Budgets and Published Financial Statements**

Budgetary and financial statement procedures are in need of improvement. While budgets prepared for some county funds contained unreasonable estimates, the County Commission budgeted a deficit balance for the General Revenue Fund. Some receipts and disbursements were not appropriately classified in the county's budgets and the county's annual published financial statements did not include the detailed information required by state statute.

A. Budgetary procedures need improvement. The following problems regarding budgets were noted:

1. The approved budget document did not adequately project anticipated disbursements and the ending cash balance of the Special Road and Bridge Fund for the years ended December 31, 2006 and 2005. Disbursements were significantly overestimated in the Special Road and Bridge budget, and as a result the actual ending cash balance was much higher than the projected ending balance, as follows:

	Year Ended December 31,	
	2006	2005
Budgeted disbursements	\$1,247,178	\$788,247
Actual disbursements	839,159	547,076
Budgeted over actual disbursements	408,019	241,171
Projected ending cash balance	109,211	187,076
Actual ending cash balance	372,604	443,584
Actual over projected ending cash balance	263,393	256,508

While the Special Road and Bridge Fund had the largest overestimate, several other funds were also overestimated. The County Clerk stated that for the Recorder's User Fees Fund, the Recorder's Fund, the Collector's Tax Maintenance Fund, and the County Clerk's 5% Election Services Fund, the officials were told to budget the balance in the fund, so that if the official needed to purchase an item, the money would be budgeted.

Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's

operation and current financial condition, the budgets should reflect reasonable estimates of disbursements and the anticipated ending cash balance.

2. The County Commission budgeted deficit fund balances of \$27,583, \$44,321, and \$11,174 for the General Revenue Fund in the 2008, 2007, and 2006 budgets respectively. Counties are not authorized to have deficit fund balances. Sections 50.610 and 50.740, RSMo, require balanced budgets, and Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting. When preparing county budgets, the County Commission should carefully review the summary of available resources, estimated revenues, and appropriations to ensure a balanced budget is proposed.
3. Some receipts and disbursements were not appropriately classified in the county's budgets. Budget misclassifications included inconsistent and erroneous classifications of receipts and transfers. For example, some federal and state grant reimbursement monies were classified in the Other Revenues category. As such monies are a significant source of revenue to the county, they should be appropriately classified in the county's financial statements. In addition, some loans from the Road and Bridge Fund to the General Revenue Fund were not consistently reflected between county funds. For example, while the county reflected transfers out on the Road and Bridge Fund budget, the corresponding transfers in were not properly reflected on the General Revenue Fund budget. They were erroneously reflected in the other revenue category and totaled \$92,562 for the two years ending December 31, 2006.

While these budget misclassifications do not have an effect on the overall accuracy of budget totals for receipts and disbursements, they do result in an inaccurate and inconsistent presentation of the county's financial activity.

Adjustments have been made to the audited financial statements to correct these errors. To ensure the information presented on the county's budget documents is complete and accurate, the County Clerk should perform thorough reviews and comparisons to supporting records. Such procedures are essential for communicating accurate financial data to county residents. Further, the county's budgets should include appropriate classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

- B. The county's annual published financial statements did not include the detailed information required by state statute. Although the Road and Bridge Fund and the Sales Tax Trust Fund were presented in the published financial statements, expenditures were presented by category, while the statutes require expenditures to be presented by vendor. All of the remaining county funds were combined and

presented as one fund. For this combined fund, revenue and expenditure totals were presented by major category only. By combining this information, the county is not in compliance with state statute.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for each and every fund separately. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the County Commission:

- A.1. Ensure that budgets provide reasonable estimates of anticipated financial activity.
- 2. Discontinue deficit budgeting.
- 3. And the County Clerk ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.
- B. Ensure all required information is presented in the county's annual published financial statements.

AUDITEE'S RESPONSE

- A.1. *We will try to provide more reasonable estimates.*
- 2. *We will complete the other net resources available section of the budget, which should result in a positive balance.*
- 3. *This recommendation will be implemented.*
- B. *We will check on the cost of putting the additional information in the paper. If it is not feasible, we will continue with what we are currently doing.*

2. Financial Condition

The financial condition of the General Revenue Fund is deteriorating. The cash balance of the fund was \$81,417, \$91,261, \$90,403, and \$117,408 at December 31, 2007, 2006, 2005, and 2004, respectively. However, these balances would have been much lower if the General Revenue Fund had not borrowed from the Special Road and Bridge Fund. As of December 31, 2007, 2006, 2005, and 2004, the General Revenue Fund owed the Special

Road and Bridge Fund \$60,227, \$67,023, \$25,539, and 0, respectively. In addition, the county has a \$12,588 liability related to excess sales taxes collected as of December 31, 2007. (See MAR No. 6.) As a result, the county is required to roll property taxes back adequately to meet this sales tax reduction requirement.

It is essential that the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending where possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize receipts from all sources.

WE RECOMMEND the County Commission continue to closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure receipts are maximized and discretionary disbursements are closely monitored.

AUDITEE'S RESPONSE

The county is trying to pass an additional one half cent sales tax for the General Revenue Fund in the August election.

3. County Property Records and Procedures
--

Procedures and records to account for county property are not adequate and records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed.

- A. The County Clerk is responsible for maintaining overall county property records; while each county department is responsible for performing annual physical inventories and submitting property listings to the County Clerk. However, the county's overall procedures are not sufficient and county property records are not complete.

The former County Clerk had not updated the fixed asset listing since 2000. Although the current County Clerk requested that each official prepare a listing of county property in January 2007, these reports were not used to monitor property additions or dispositions. The County Clerk has no procedures to identify property purchases throughout the year and has not updated the overall county property record. In addition, tags identifying property items as county property are not being assigned and affixed to the items.

This lack of monitoring or involvement by the County Clerk diminishes the benefit of periodic reporting by the various other county departments, and increases the possibility of theft occurring without detection. In addition, property items could be

purchased or disposed of without proper modifications to the county's insurance coverage.

- B. Records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed.

During the two years ended December 31, 2006, the county expended about \$111,205 for fuel and oil for approximately seven pickups and dump trucks and a number of graders, tractors, loaders, etc., used by the Road and Bridge Department. Road and Bridge Department employees dispense fuel into the equipment and vehicles from fuel tanks located at various sites in the county. Employees record the date, employee name, vehicle description, gallons pumped, and odometer readings on logs maintained at the sites. Each month, the vendor sends the county a billing and a delivery ticket for each time the vendor filled the bulk fuel tanks. However, a complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained.

The fuel usage logs are not routinely reviewed by the road and bridge supervisor or County Commission. Periodic reconciliations of the fuel usages and purchases to the calculated fuel on hand are not performed.

The failure to compare log information to vendor billings and analyze vehicle mileage as compared to gas usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could occur. Effective monitoring procedures which include reviews of vehicle expense logs and comparison of log information to fuel purchases and other maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without being detected.

WE RECOMMEND the County Commission:

- A. And the County Clerk work with the other county departments to ensure annual physical inventories are performed and reports submitted, utilize the reports to monitor property additions and dispositions, and implement a procedure for tracking and tagging new property items throughout the year.
- B. Ensure vehicle expense log information is compared to vendor billings, and vehicle fuel usage and maintenance costs are analyzed for reasonableness.

AUDITEE'S RESPONSE

- A. *We will set a threshold amount for county property. In addition, we will continue to improve the inventory process.*

B. *We will try to implement this recommendation.*

4. County Disbursements

The county does not have adequate procedures regarding the procurement of major purchases and professional services. The county's procedures regarding the approving and paying of invoices is lacking. Furthermore, reimbursement requests submitted by the Sheriff only indicate the total number of miles driven per month and do not include other necessary details.

- A. The county did not always solicit bids, or bid documentation was not always retained for various purchases made during the audit period. Although the county pays annual insurance premiums of \$32,000, the county has not solicited bids for insurance since 2000. In addition, bids were not solicited or properly documented for the publication of plat books costing \$6,278.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500, (revised to \$6,000 in 2007) or more from any one person, firm, or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- B. The county does not always solicit proposals or retain documentation of proposals for engineering services. The county has conducted several major bridge projects in recent years. The County Commission indicated that multiple engineering firms are generally considered, but they normally utilize the same engineering firm because of their prior experience with the firm. The county's selection process and criteria were not documented in the commission meeting minutes or in the proposal files. As a result, there was no evidence that the best qualified firm was selected for engineers' fees totaling approximately \$12,770 during 2006.

Section 8.285, RSMo, requires political subdivisions of the state of Missouri to negotiate contracts for engineering services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. Sections 8.289 and 8.291, RSMo, specify that at least three firms should be considered when obtaining engineering services, and provide criteria to be used when evaluating the various firms.

C. The county's procedures for approving and paying invoices should be improved.

1. The county's accounts payable process does not provide adequate controls to ensure that goods and services have been received prior to payment. The County Commission approved some payments to vendors without requiring the officeholder or employee to acknowledge receipt of goods or services. For example, the county purchased software for the Assessor's office and bridge steel without indication of receipt of goods by the applicable party.

Proper reviews of billings by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings, and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

2. The following transactions were made with no contract and for which the county performed no monitoring and required no information from the political subdivisions to document the actual use of the monies:

- The county paid approximately \$49,000 in total during 2006 and 2005 to the following towns: Lancaster, Downing, Queen City, and Greentop. The payments represent a portion of the county's road and bridge levy and are allocated based upon the cities' assessed valuations.
- The county also passed through grant monies (Emergency Shelter) of approximately \$15,000 in total during 2006 and 2005 to the NorthEast Missouri Community Action Agency.

Written contracts are necessary to specify the services to be performed and consideration to be paid for the services and provide a means for the county to monitor compliance with the terms of the agreement. Failing to adequately monitor these political subdivisions could result in monies not being spent for the intended purpose.

D. Reimbursement requests submitted by the Sheriff only indicate the total number of miles driven per month and do not include other necessary details.

The Sheriff and his two deputies each receive a mileage allowance of \$750 (2000 miles X .375) per month for use of their personal vehicles for county business. The County Clerk indicated the mileage rate was established several years ago based upon the IRS rate in effect at the time; however, the county's mileage rate has not changed. The Sheriff and the deputies are required to submit mileage reimbursement requests for this allowance. While the two deputies maintain detailed mileage records and turn them in with a request for reimbursement each month, the Sheriff does not.

The Sheriff's reimbursement is not detailed and states a flat 2,000 miles were driven during the month. However, this mileage allowance is not included on the Sheriff's W-2 form at year end.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

Conditions similar to A, B and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Solicit bids for all items in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Ensure that professional services are obtained through a competitive selection process and documentation of the process is maintained.
- C.1. Establish effective expenditure review procedures to ensure payments are only made for legitimate goods and services.
- 2. Enter into written contracts, require financial reports, and adequately monitor the reports from these political subdivisions.
- D. Require mileage logs that show the actual miles driven or ensure that the mileage allowance is included on the Sheriff's W-2 forms in compliance with IRS reporting requirements. In addition, periodically review the actual miles, and ensure that the Sheriff and the deputies are not receiving mileage for more miles than what they actually drove.

AUDITEE'S RESPONSE

- A. *Bids were taken for the software, but documentation could not be located. In the future, documentation will be maintained.*
- B. *We will implement this recommendation.*
- C.1. *We have already implemented this recommendation.*

2. *We will require financial reports in the future. In addition, we will maintain copies of the contracts with the political subdivisions.*

D. *We will implement this recommendation.*

5. Payroll Records and Procedures
--

Time sheets are not prepared by some county employees. With the exception of the Road and Bridge Department, the County Clerk's office does not maintain centralized records of leave or compensatory balances or the associated liabilities.

During the two years ended December 31, 2006, Schuyler County expended over \$1,172,000 for payroll costs. The County Commission is responsible for approving payroll related expenditures, and the County Clerk is responsible for maintaining adequate records to support these expenditures.

- A. Time sheets are not prepared by county employees, other than dispatchers and road and bridge employees. The payroll clerk pays employees that do not submit time sheets the same amount each pay period unless told otherwise. Some sheriff's department employees are salaried and work overtime, however, no record is maintained of the overtime worked.

Detailed time sheets document hours actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and, are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Time sheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office.

- B. With the exception of the Road and Bridge Department, the County Clerk's office does not maintain centralized records of leave or compensatory balances or the associated liabilities. The County Clerk indicated these records are maintained by each individual office but our review noted that some offices, including the Collector, Assessor, County Clerk and Prosecuting Attorney, are not maintaining those records.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

WE RECOMMEND the County Commission:

- A. Require all county employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Require leave and compensatory records be maintained for all county employees. These leave and compensatory records should be filed with the County Clerk and should be reviewed for accuracy and potential liability. In addition, the County Commission should ensure leave and compensatory time records are supported by time sheets.

AUDITEE'S RESPONSE

We will take these recommendations under advisement.

6. County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Schuyler County voters under the provisions of Section 67.505, RSMo.

For 2007, 2006 and 2005, the county set the property tax rate without calculating the required rollback. The county has not adopted adequate procedures to monitor or assess the results of the actual tax rollbacks, and has not adequately considered the excess tax collections from prior years when computing the current year's rollback. As a result, property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of \$10,632 at December 31, 2006. This liability increased to \$12,588 at December 31, 2007. The County Commission was aware that the tax levy reductions were less than required in those years; however, the County Commission believed they could not reduce the levies further due to the poor financial condition of the General Revenue Fund. The county needs to consider the entire amount of this excess in collections when computing future property tax rollbacks.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reduction for excess property taxes collected in 2006 and prior years.

AUDITEE'S RESPONSE

If the additional general revenue sales tax passes, we will take care of this sales tax liability.

Policies and procedures over the sale of materials are not adequate and inventory records of materials are not maintained. The county purchased road and bridge materials totaling approximately \$282,000 during the two years ended December 31, 2006. These materials, some of which are resold to the public or other governmental entities, included things such as rock, concrete, bridge steel, and culverts.

- A. The county has not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities. The county received approximately \$28,000 from these sales during the two years ended December 31, 2006. Usually rock purchased by the public is put on county roads under a cost-sharing program while culverts are usually purchased by individuals for private purposes or purchased by other governmental entities.

A bill of sale may not always be prepared for each sale and a bill of sale/receipt is not required to pick-up materials from the Road and Bridge Department. A bill of sale is sometimes prepared by the County Clerk when goods are to be billed and at other times the County Treasurer will simply prepare a receipt slip if payment is made in advance. In addition, sometimes the purchaser comes to the county courthouse to make these arrangements prior to picking up the materials, and other times they pick up materials first at the Road and Bridge Department and the County Clerk sends them a bill. As a result of this lack of formal and consistent policies and procedures, the county does not have one complete record of all sales. In addition, the county has little assurance that all materials picked up from the Road and Bridge Department will be billed or were paid in full. Our review also noted that the county does not collect sales taxes on applicable sales made for private purposes.

Failure to adopt formal policies and procedures over sales to the public could result in lost revenues. The county should develop consistent procedures whereby all sales must be approved in the County Clerk's office and supported by a bill of sale (whether paid in advance or to be billed later) prior to the release of materials by the Road and Bridge Department.

- B. The Road and Bridge Department does not maintain a perpetual inventory record of all construction materials. The county maintains a stockpile of culverts for its own use and for sale to the public. Once a year the Road and Bridge Department performs an inventory of the culverts on hand. However, a perpetual inventory record is not maintained with all culverts purchased being added and all amounts sold/used being deducted from the record. In addition, the amount of culverts on hand should be agreed to the perpetual inventory record on a periodic basis.

Adequate inventory records are necessary to secure better internal controls and safeguard materials which are susceptible to loss or theft. The reconciliation of physical inventories to perpetual inventory records is necessary to ensure the records are accurate, identify any unrecorded additions and deletions, and detect possible loss or theft.

Similar conditions were noted in our prior report and no improvements have been made in these areas. As a result, the county may be purchasing road and bridge materials for use by individuals and not recouping the costs.

WE AGAIN RECOMMEND the County Commission:

- A. Develop formal policies and procedures over sales to the public. One complete record of all sales should be maintained by the county and materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office. Also, the county should collect sales tax on sales intended for private use.
- B. Maintain a perpetual inventory record of pertinent road and bridge materials and periodically reconcile materials on hand to these records.

AUDITEE'S RESPONSE

- A. *We will look into this recommendation.*
- B. *We are looking into the possibility of discontinuing these sales. If we continue the sales, then we will implement this recommendation.*

8. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The Ex Officio Recorder of Deed's office procedures related to receipts and disbursements are in need of improvement. The Ex Officio Recorder processes approximately \$32,000 annually in fees for the recording of deeds, marriage licenses, and certified copies.

- A. Monies received are not always deposited intact. Some monies received are held from the deposits to make change and purchase postage. When tracing manual receipt slips to the Ex Officio Recorder's ledger and deposit slips, we noted four instances, totaling \$39, where the monies were not posted to the ledger or deposited. The Ex Officio Recorder indicated that these monies must have been placed in the change fund.

If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

If a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the clerk should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

- B. Prenumbered receipt slips are not issued for some recording fees received. Receipt slips are only issued for cash receipts. In addition, the numerical sequence of receipt slips is not accounted for and the composition of receipt slips issued is not reconciled to the composition of deposits. The Circuit Clerk and Ex Officio Recorder also issues circuit court receipts from the same receipt slip book, making it more difficult to account for receipts. Without issuing and accounting for prenumbered receipt slips for all monies collected, the Ex Officio Recorder cannot ensure all monies collected are ultimately recorded and deposited.

WE RECOMMEND the Ex Officio Recorder of Deeds:

- A. Deposit all monies intact on a timely basis. Re-evaluate the need for a petty cash fund. If it is determined to be needed, it should be maintained on an imprest basis. In addition, a change fund should be maintained at a constant amount.
- B. Maintain a separate receipt slip book for the Recorder's office receipts. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, ensure the composition of receipt slips is reconciled to deposits.

AUDITEE'S RESPONSE

- A. *We are now comparing the receipt slips issued to the ledger and the deposit. The change fund is kept at a constant amount.*
- B. *We obtained a new receipt slip book that is used just for recorder's monies. We issue receipt slips for all copies and certified copies and all cash receipts. Receipt slip numbers are accounted for and the composition is reconciled.*

Sheriff procedures related to accounting duties, processing of monies, and bank reconciliations are in need of improvement. The Sheriff's Office processes approximately \$10,000 annually in civil fees, concealed weapon permits, bonds, summons fees, and general receipts.

- A. Cash custody and accounting duties have not been adequately segregated in the Sheriff's Office. One clerk collects monies, records transactions, prepares deposits, and prepares bank reconciliations. The Sheriff indicated he reviews the accounting records and reconciliations, but does not document his review.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Receipt procedures are in need of improvement. The numerical sequence of receipt slips is not accounted for. In addition, the method of payment is not always noted on receipt slips and the composition of receipt slips issued is not reconciled to the composition of deposits.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should indicate the method of payment (i.e., cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition should be reconciled to the bank deposits.

- C. Although bank reconciliations are prepared, the bank reconciliations are not complete and the bank balance is not reconciled to a monthly listing of open items (liabilities). The reconciled bank balance was \$1,183 and the book balance was \$1,174. Differences on the bank reconciliation are not investigated and clearly documented. In addition, the Sheriff's Office should disburse all monies monthly, which would result in a book balance of -0-, however, the Sheriff's Office had not prepared a listing of liabilities related to the reconciled bank balance. Upon our request, a listing of open items (liabilities) was prepared, and included inmate monies from a 1997 police investigation, a bond received during 2000, and mileage reimbursements received from the courts for summonses served by the Sheriff and deputies during 2005, 2004, and 2003. The mileage reimbursements were paid to the Sheriff and deputies in February 2008.

Complete and accurate bank reconciliations are necessary to ensure bank activity and records are in agreement and to detect and correct errors timely. In addition, reconciling the balances to an open items listing is necessary to ensure underlying

records are in balance and that sufficient cash is available to pay all liabilities. Monies should be disbursed monthly, and any old open items should be investigated and disposed of in accordance with state law.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Account for the numerical sequence of receipt slips. In addition, ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.
- C. Ensure bank reconciliations are complete and accurate. In addition, fees should be disbursed on a monthly basis and open items listings should be prepared monthly and reconciled to the account balances. The Sheriff should investigate any unidentified monies or shortages.

AUDITEE'S RESPONSE

- A. *I will periodically review the bank reconciliations, deposits, and disbursements. In addition, I will document my review.*
- B. *We will implement this recommendation.*
- C. *We will turn the unclaimed monies over to the County Treasurer. In addition, we will ensure the bank reconciliations are complete and accurate to the best of our ability.*

10. Assessor Accounting Controls and Procedures
--

The Assessor's Office transmits monies on a monthly basis to the County Treasurer from the sale of maps and photocopies. Prenumbered receipt slips are not issued for some monies received. Receipt slips are only issued upon request, and are issued from the County Treasurer. In addition, receipts are not maintained in a secure location; rather, receipts are kept in the Assessor's unlocked desk drawer.

Without issuing and accounting for prenumbered receipt slips for all monies collected, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. In addition, to adequately safeguard receipts, all monies should be maintained in a secure location.

While the amount of receipts collected is not real significant, the amount of receipts fluctuates, and the Assessor's office needs to improve its records and procedures to ensure that all receipts are properly handled.

WE RECOMMEND the Assessor issue official prenumbered receipt slips for all monies collected. In addition, monies should be maintained in a secure location until they are transmitted to the County Treasurer.

AUDITEE'S RESPONSE

In most cases, monies are paid directly to the County Treasurer. However, we have started recording the monies received in the Assessor's office.

11. Public Administrator Procedures
--

The Public Administrator is the court appointed personal representative for wards of the court. He is responsible for properly receiving, disbursing, and accounting for the assets of those individuals. During the two years ended December 31, 2006, the Public Administrator had responsibilities for approximately fourteen wards. Of these wards, one had assets exceeding approximately \$125,000, two had assets ranging between \$20,000 and \$30,000, and the remaining wards had assets ranging from approximately \$250 to \$6,500.

Since taking office in January 2005, the current Public Administrator has not withheld any fees from estates. The prior Public Administrator collected fees totaling approximately \$3,600 for the two years ending December 31, 2004.

The Associate Circuit Judge indicated that it is the court's intent that the current Public Administrator account for time spent on tasks for the various wards and provide this document for the court's approval so that fees can be assessed, if appropriate. Given the current circumstances, the county is not recouping any of the Public Administrator's salary costs. Section 473.742, RSMo, provides that all fees collected by a Public Administrator who elects to be salaried are to be deposited in the county treasury.

WE RECOMMEND the Public Administrator work with the Associate Circuit Judge to ensure appropriate fees are assessed to cases and transmitted to the county treasury.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

It would be appropriate now and in the future to collect fees on those few decedents' and conservatorship estates administered by the Public Administrator where there are assets available.

The Public Administrator provided the following response:

If it is at all possible, I will try to recoup some fees from the wards. I will work with the Judge on a case by case basis to determine the fees.

Follow-Up on Prior Audit Findings

SCHUYLER COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Budgets and Financial Statements

- A. The county's budgets and published financial statements had reported only the original principal amounts, excluding interest earned on certificates of deposits.
- B. A Community Development Block Grant bank account held by the County Treasurer, with a balance of \$1,000 had not been included on the county's budget or published financial statements.
- C. The county did not include a \$9,870 receipt from a Federal Emergency Management Agency (FEMA) grant and subsequent disbursement to a Special Road District in their financial statements.

Recommendation:

The County Commission ensure all applicable cash, receipt and disbursement transactions are recorded on the budgets and published financial statements. In addition, the commission should require that an investment ledger be maintained. An investment ledger should include certificate and/or account number, interest rate, date of purchase and maturity, as applicable, interest amounts earned, institution with whom the investment is made, and the fund to which the investment applies.

Status

A&C. Implemented.

- B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Road and Bridge

- A. Invoices and delivery tickets received by the Road and Bridge Department were not always forwarded to the County Clerk for comparison to the billing statements, which were approved and used as the basis for payment. In addition, invoices usually did not contain documentation of the receipt of the goods or services.
- B. The county had not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities.
- C. The county did not maintain perpetual inventory records of pertinent road and bridge materials and fuel. In addition, they did not perform a physical inventory of the applicable materials and fuel.

Recommendation:

The County Commission:

- A. Ensure all invoices document the receipt of goods and services. In addition, ensure all invoices received by the Road and Bridge Department are forwarded to the County Clerk for comparison to billing statements prior to payment.
- B. Develop formal policies and procedures over sales to the public. One complete record of all sales should be maintained by the county and materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office. Also, the county should collect sales tax on sales intended for private use.
- C. Maintain a perpetual inventory record of pertinent road and bridge materials and fuel and periodically perform a physical inventory of the applicable materials and fuel.

Status:

- A. Partially implemented. The Road and Bridge Department does forward all invoices to the County Clerk for comparison to the billing statements, but they do not document the receipt of goods and services on the invoices. See MAR finding number 4.

B&C. Not implemented. See MAR finding number 7.

3. Policies and Procedures

- A. The county did not always solicit bids for various purchases. In addition, the minutes did not adequately document some bid information, such as reasons for accepting bids other than the lowest bid, sole source procurement situations, and

efforts to solicit bids.

- B. The county did not obtain information required by state law for engineering services related to bridge project number 14. Instead, the county had contracted with an engineering firm that had performed work on previous projects for the county.
- C. The county did not obtain contracts for several transactions, and had performed no monitoring and required no information from the political subdivisions.
- D. While the County Clerk had maintained an inventory listing of fixed assets held by the county officials, the fixed asset listings had not been updated, nor had a physical inventory been completed, since 2000.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained and the justification for selecting the winning bid. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Obtain a statement of qualifications and performance data from at least three engineering firms before contracting for these services.
- C. Enter into written contracts, require financial reports, and adequately monitor the reports from these political subdivisions.
- D. Establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases of fixed assets should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipts.

Status:

- A-C. Not implemented. See MAR finding number 4.
- D. Not implemented. See MAR finding number 3.

4. Officials' Salaries

- A. Based on a Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling \$5,372 for the two years ended December 31, 2000, should be repaid.
- B. The County Treasurer's salary was increased \$5,731 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in October 2002 approved this increase. Without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer was in accordance with state law.

Recommendation:

The County Commission:

- A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

Status:

- A. Partially implemented. The County Commission made the decision that they would not pursue reimbursement of these funds from the associate commissioners because the salary commission acted in good faith in compliance with the state law and the intent of the legislature when making the decision to approve the mid-term increase. In addition, the County Commission obtained a Prosecuting Attorney's opinion that stated that they were in compliance with state law at the time the decision was made.
- B. Implemented. The County Commission obtained a Prosecuting Attorney's opinion that stated that they were in compliance with state law at the time the decision was made.

5. Senior Citizens Service Board

- A. The board had not entered into written contracts with the Schuyler County Council on Aging (SCCA) and the Schuyler County Library as required by Section 432.070, RSMo.
- B. The board did not adequately monitor monies provided to the SCCA and Older Adults Transportation Service Incorporated (OATS).

Recommendation:

The Senior Citizen Board of Directors:

- A. Enter into written contracts with all entities which receive funding from the board.
- B. Require and periodically review records of services provided to residents of Schuyler County. At a minimum, the records should contain the names of citizens participating in the program, the services provided, and the cost of each service.

Status:

- A. Partially implemented. The Senior Citizen Board of Directors no longer performs business with the SCCA. However, the board does not have a contract with the Nutrition Site or the Schuyler County Library. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

6. Health Center

The health center was not included in the scope of the current Schuyler County audit pursuant to Attorney General's Opinion No. 87, 2007 to Montee.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SCHUYLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Schuyler was named after Phillip Schuyler, a Revolutionary War general. Schuyler County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Lancaster.

Schuyler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 340 miles of county roads and 83 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 4,979 in 1980 and 4,170 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	20.8	20.2	19.7	19.2	16.2	9.1
Personal property		10.9	10.6	10.1	10.2	4.6	3.9
Railroad and utilities		5.6	6.0	5.9	5.8	6.8	6.1
Total	\$	37.3	36.8	35.7	35.2	27.6	19.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Schuyler County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.3300	.3300	.2900	.2900
Special Road and Bridge Fund *		.2600	.2600	.2600	.2600
Common Road District		.5000	.5000	.5000	.5000
Senior Services		.0500	.0500	.0500	.0500

- * The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth. The road district also has an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 11,046	10,344	10,494	10,254
General Revenue Fund	119,786	111,292	99,953	97,987
Special Road and Bridge Fund	99,589	92,668	94,088	91,123
Assessment Fund	29,584	28,226	26,549	21,607
Health Center Fund	90,452	83,486	61,383	50,692
School districts	995,378	923,614	942,352	922,481
Library district	54,552	50,907	51,697	50,543
Ambulance district	109,090	101,777	103,381	101,358
Surtax	19,154	17,819	18,597	18,027
Road District #4	172,879	161,696	164,027	160,669
Nursing Home	54,552	50,907	51,704	50,692
Senior Citizen Service	18,185	16,986	17,243	16,906
School District Bond Debt Service	280,014	261,206	265,343	260,149
City Utilities	12,254	10,316	11,404	14,496
Cities	43,813	42,222	41,161	37,445
County Clerk	631	788	752	752
County Employees' Retirement	12,608	11,035	8,869	7,807
Tax Maintenance	4,079	3,853	3,815	3,308
Others	5,348	3,562	624	396
Commissions and fees:				
County Collector	1,321	1,289	1,205	1,148
County Commissions	42,679	41,685	39,993	38,930
Total	\$ 2,176,994	2,025,677	2,014,634	1,956,770

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	92.2	92.0	92.8	92.3	%
Personal property	89.2	89.6	90.0	89.6	
Railroad and utilities	100.0	82.8	100.0	100.0	

Schuyler County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.005	N/A	50	%
Special Road and Bridge	.005	2008	None	
Law Enforcement	.005	N/A	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder		2007	2006	2005	2004	2003
County-Paid Officials:						
Robert G. Aldridge, Presiding Commissioner	\$	16,546	16,546	16,546	16,546	16,546
Jim Werner, Associate Commissioner		14,546	14,546	14,546	14,546	14,546
Jaye Baxter, Associate Commissioner		14,546	14,546	14,546	14,546	14,546
Bree Shaw, County Clerk		22,040				
Doyle Talbert, County Clerk			22,040	22,040	22,040	22,040
Brenda Swedberg, Prosecuting Attorney		28,120	28,120	28,120	28,120	28,120
Donald Bruner, Sheriff		27,360	27,360	27,360	27,360	27,360
Karmen Buckallew, County Treasurer		22,040	22,040	22,040	22,040	22,040
Douglas B. Norman, County Coroner		6,080	6,080	6,080	6,080	6,080
Ronald L. Morgan, Public Administrator		11,400	11,400	11,400		
Patricia Swedberg, Public Administrator					11,400	11,400
Kathy Roberts, County Collector (1), year ended February 28 (29),		23,361	23,329	23,245	23,188	23,178
Gary Stump, County Assessor (2), year ended August 31,		22,556	22,728	22,748	22,839	22,940

(1) Includes \$1,321, \$1,289, \$1,205, \$1,148 and \$1,138 of commissions earned for collecting city property taxes in 2007, 2006, 2005, 2004, and 2003, respectively.

(2) Includes \$516, \$688, \$708, \$799 and \$900 annual compensation received from the state in 2007, 2006, 2005, 2004, and 2003, respectively.

State-Paid Officials:

Judy Keim, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,850	47,300
Steven Willcox, Associate Circuit Judge	96,000	96,000	96,000	96,000



Susan Montee, CPA
Missouri State Auditor

Village of Humphreys



June 2008

Report No. 2008-39

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

The following findings were included in our audit report on the Village of Humphreys, Missouri.

The Village of Humphreys does not prepare ledgers of receipts and disbursements and does not prepare bank reconciliations. Summary financial information is not prepared for the Board of Trustees' review and approval. Invoices are not filed in an orderly manner and some invoices or other supporting documentation could not be located to support village disbursements.

Controls over property tax collections and distributions need to be improved. Individual receipts are not reconciled to deposits and receipts are not deposited timely. Listings of delinquent taxes are not prepared and the collection of delinquent taxes should be turned over to the county collector as required by state law. In addition, property taxes are deposited into a separate village bank account, and have not been properly distributed since 2004, with \$4,325 remaining in the property tax bank account at December 31, 2007. The village levies taxes for general revenue, parks, lights, and streets. The property taxes should be distributed to these four village funds, and to the county assessment fund as required by state law.

The village does not have formal bidding or purchasing policies and board approval is not documented for some disbursements. The village made disbursements on behalf of a not-for-profit (NFP) corporation without a written agreement. The village made payments for sewer testing services without a written agreement, and there is a dispute regarding amounts owed by the village for these services. The village did not document how it allocated certain expenses to various village funds.

During the year ended December 31, 2007, the village deposited approximately \$38,000 in water and sewer fees and customer deposits. The village does not keep records of refundable customer deposits, some water/sewer receipts were not recorded as received, and receipts are not reconciled to bank deposits. Additionally, the village does not reconcile total billings, payments received, and amounts remaining unpaid, and does not have comprehensive policies to follow up on delinquent accounts. Also, the village does not reconcile gallons of water purchased to gallons of water billed to customers.

Also included in the audit report are recommendations related to board meetings, minutes, and ordinances, financial reporting and budgets, and payroll and related matters.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

VILLAGE OF HUMPHREYS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Humphreys, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Humphreys. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions.

Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Humphreys.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Terese Summers, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF HUMPREYS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls and Procedures
--

The village does not prepare ledgers of receipts and disbursements and does not prepare bank reconciliations. Summary financial information is not prepared for the Board of Trustees' review and approval. Invoices are not filed in an orderly manner and some invoices or other supporting documentation could not be located to support village disbursements. Some village officials with access to assets are not bonded, and some former village officials and employees were not removed from the bank signature cards on a timely basis. The village maintains numerous bank accounts and should consider consolidating to fewer accounts.

- A. The village does not prepare ledgers of receipts and disbursements and does not prepare bank reconciliations. Check registers are maintained for the checking accounts, but some of the registers did not contain all deposits and checks issued, some checks were issued out of numerical sequence, and running balances were not maintained for any of the accounts. In addition, several village bank statements were missing and the village obtained copies of various statements from the bank at our request.

Ledgers of receipts and disbursements and monthly bank reconciliations are necessary to ensure all cash transactions are recorded and accounted for, and to ensure errors and omissions are detected and corrected in a timely manner.

- B. Summary financial information is not prepared for the Board of Trustees' review and approval. It appears that no summary financial information has been prepared since 2003. Current board minutes include documentation of the village's bank balances; however, a summary of all receipts and disbursements is not prepared.

To adequately inform the board of all financial activity and to allow the board to monitor the financial condition of the village, monthly reports summarizing all village receipts, disbursements, and cash balances should be prepared and included with the monthly board minutes.

- C. Invoices to support village disbursements are not filed in an orderly manner, making it difficult to locate invoices and to ensure invoices are maintained for each disbursement. The village records that were provided to us were kept in various storage boxes, and invoices were not filed in any particular order. Invoices or other supporting documentation could not be located to support some village disbursements.

To ensure the propriety of all disbursements, invoices and other supporting documentation should be retained for each disbursement and filed in an orderly manner.

- D. The Village Clerk/Collector, who handles all village receipts, is not bonded. While the board chairman is bonded, other board members who are authorized to sign checks are not bonded. In addition, both the former village clerk and the former board chairman were still listed on the bank signatory cards for the various village bank accounts as of February 2008, even though they left these positions in 2007.

Section 80.250, RSMo, requires bond coverage of at least \$1,000 for the village collector. Failure to properly bond all persons with access to assets exposes the village to risk of loss. In addition, the village should ensure that former officials and employees are removed from the bank signatory cards in a timely manner.

- E. As of December 31, 2007, the village maintained 11 bank accounts and 6 certificates of deposit (CD) at two banks. In addition, the Village Clerk did not have a listing of all village bank accounts and CDs, and information for some of the CDs had to be obtained from the bank upon our request.

The village should consider consolidating its funds into fewer bank accounts. A large number of bank accounts requires additional recordkeeping and increases the likelihood that errors will occur in the handling of funds.

WE RECOMMEND the Board of Trustees:

- A. Ensure ledgers or other records are maintained for all receipts, disbursements, and cash balances, and ensure monthly bank reconciliations are prepared. In addition, copies of all bank statements should be maintained and checks should be issued in numerical sequence.
- B. Ensure summary monthly financial information is prepared for board review and approval and is filed with the board minutes.
- C. Ensure invoices or other supporting documentation are maintained for each disbursement and are filed in an orderly manner.
- D. Obtain bond coverage for all officials with access to village assets, and ensure former officials and employees are removed from the bank signatory cards in a timely manner.
- E. Review the number of bank accounts and consider consolidation of accounts.

AUDITEE'S RESPONSE

- A. *We agree and will implement.*
- B. *More detailed information has now been provided to the board but we will consider revising the reports to include more detail.*
- C. *The current village clerk has now been filing invoices in an orderly manner.*
- D. *The village clerk and all trustees authorized to sign checks are now bonded. We will determine who should be included on the signature cards and update them accordingly.*
- E. *We agree and will consolidate the bank accounts as much as possible.*

2. Board Meeting Minutes, Agendas, and Ordinances
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Meeting minutes were not signed and did not always contain sufficient detail of matters discussed and actions taken. The board does not always post notices of meetings and tentative agendas as required by state law. Village ordinances are not up-to-date and complete, and compensation paid to board members and other officials is not set by ordinance.

- A. Board meeting minutes did not always contain sufficient detail of matters discussed and actions taken. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Trustees were adequately documented and recorded.

Section 610.020.7, RSMo, requires minutes of open and closed meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

- B. None of the meeting minutes were signed. Board minutes should be signed by the preparer and by the board chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. Village officials indicated that notices of meetings or tentative meeting agendas are not always posted, and the village did not retain copies of some notices and agendas. Section 610.020.1, RSMo, requires that a tentative agenda and a meeting notice be posted prior to all meetings of a public governmental body. The village should ensure that copies of agendas and meeting notices are retained to document compliance with state law.

- D. The village ordinances are not complete and up-to-date. The Village Clerk (who is a former board member) indicated that in the 1990's, the board rescinded all old village ordinances; however, it appears the village continues to utilize some old ordinances, such as allowing the Village Clerk/Collector to receive a 10-percent commission for property tax collections. The Village Clerk provided copies of four ordinances passed since the 1990's; however, village officials could not provide a complete record of all village ordinances currently in force.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help keep track of additions and changes made to the village ordinances.

- E. The village has not adopted ordinances to set the compensation of village officials. Current village officials indicate it has been the village policy to pay the board members \$1 for attending each board meeting; however, no such payments were made to board members for 2007. In addition, the former Village Clerk was receiving a \$45 monthly payment in excess of the authorized salary documented in the minutes. Also as described in Part D above, the Village Clerk/Collector receives a 10-percent commission for collecting property taxes even though it appears the applicable ordinance had been rescinded. Section 80.240, RSMo, allows the board to appoint certain officials and to fix their compensation.

In 2007 and 2006, a total of \$641 was paid to some current and former board members for services provided to the village, such as meter reading services, tree trimming and other miscellaneous services, and mileage reimbursements that were not adequately documented. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for compensation other than the compensation provided for the performance of his official duties.

To ensure compliance with state law, the board should establish the compensation of all village officials by ordinance. In addition, the board should refrain from providing additional compensation to board members for services beyond the performance of their official duties.

WE RECOMMEND the Board of Trustees:

- A. Ensure detailed minutes of all meetings are prepared and retained.
- B. Ensure meeting minutes are signed by the preparer and the board chairman to attest to their completeness and accuracy.
- C. Ensure notices and tentative agendas of all board meetings are posted and retained.

- D. Update and codify the village ordinances and ensure a complete set of ordinances is maintained. In addition, the village should consider establishing an index of all ordinances passed and rescinded.
- E. Establish all officials' compensation by ordinance, and refrain from providing compensation to board members for services performed beyond their official duties.

AUDITEE'S RESPONSE

A. *We will attempt to put more detail in the minutes.*

B&E. *We agree and will implement.*

C. *This is now being done and copies of all meeting notices and agendas are being kept with the minutes.*

D. *We will consider updating the ordinances.*

3.	Financial Reporting and Budgets
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The village does not post semi-annual financial statements nor submit annual financial reports to the State Auditor's Office as required by state law. The village does not prepare annual budgets or street maintenance plans and has not obtained annual audits as required by state law.

- A. The village does not publish or post semi-annual financial statements. Section 80.210, RSMo, requires that the Board of Trustees prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states that the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- B. The village has not submitted annual financial reports to the State Auditor's Office since 2003. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's Office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for un-audited financial statements and within six months of the end of the fiscal year for audited financial statements).
- C. The village does not obtain annual audits. An audit was obtained for the year ended December 31, 1999 in conjunction with the expenditure of sewer grant monies, but no audits have been obtained since that time. Section 250.150,

RSMo, requires the village to obtain annual audits of the combined waterworks and sewerage system.

In addition to being required by state law, annual audits of village funds would help ensure village financial transactions have been properly recorded.

- D. The village does not prepare annual budgets. Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of village operations and provide a means to effectively monitor actual costs and revenues.

- E. An annual maintenance plan for village streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

During 2007, the village spent only \$2,177 from the Street Fund, which included \$1,637 for street lights. The balance of the Street Fund at December 31, 2007, was \$76,616. While accumulating funds for future use may be desirable, the board should review the overall financial condition of the Street Fund and set the village tax rate to provide sufficient operating funds yet not create an excessive fund balance.

WE RECOMMEND the Board of Trustees:

- A. Publish or post semi-annual financial statements as required by state law.
- B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

- C. Obtain annual audits of the combined waterworks and sewerage system as required by state law.
- D. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village.
- E. Prepare a formal maintenance plan for village streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the financial condition of the Street Fund and set the tax rate to provide sufficient operating funds but does not create an excessive fund balance.

AUDITEE'S RESPONSE

A&B. We agree and will implement.

C. We will consider obtaining periodic audits. We believe that annual audits will be too expensive and our current funding is limited.

D. We will consider preparing annual budgets.

E. We will consider adopting a maintenance plan and ways of using the accumulated balance.

4.	Property Tax Procedures
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Controls over property tax collections and distributions need to be improved. Individual receipts are not reconciled to deposits and receipts are not deposited timely. Property taxes have not been properly distributed since 2004, and \$4,325 remained in the property tax bank account at December 31, 2007. Listings of delinquent taxes are not prepared and the collection of delinquent taxes should be turned over to the county collector as required by state law.

- A. The Village Clerk/Collector prepares individual property tax bills and marks these bills as paid when payment is received. However, a listing of taxes received is not prepared, making it difficult to trace specific payments to bank deposits. To ensure all property tax receipts are adequately accounted for and deposited, the Village Clerk/Collector should prepare listings of property taxes as they are received and reconcile these to bank deposits.
- B. The Village Clerk/Collector does not always deposit property taxes on a timely basis. Most property taxes are collected in December and are normally not deposited until late January. For example, there were no deposits in December 2006 and one deposit of \$2,305 on January 31, 2007. To reduce the risk of loss, theft, or misuse of funds, property tax receipts should be deposited on a timely basis.

- C. Property taxes are deposited into a separate village bank account, and since February 2004 have not been properly distributed to the various village funds. Some taxes were distributed to the various village funds during 2005 and 2006, but no distributions were made during 2007. Total deposits to the property tax bank account were \$2,678 during 2007, and at December 31, 2007, the account balance was \$4,325.

The village levies taxes for general revenue, parks, lights, and streets (although the tax levies for lights and streets were voluntarily reduced to zero for 2007 taxes). The property taxes should be distributed to these four village funds, and to the county assessment fund as required by Section 137.720, RSMo.

The current Village Clerk/Collector should determine the amount of taxes due to the various village funds and to the county assessment fund, and distribute these funds. In the future, all property taxes collected should be distributed on a timely basis.

- D. The Village Clerk/Collector does not prepare listings of uncollected delinquent taxes or ensure all tax book charges agree to total collections plus the amounts remaining delinquent. In addition, the village does not turn over the responsibility for collection of delinquent taxes to the county collector as required by state law.

Section 80.480, RSMo, requires the village collector to prepare a list of delinquent taxes remaining uncollected on the first day of January of each year. This section also requires the board of trustees to examine and approve the list, credit the village collector for the amount of uncollected taxes, and turn over the collection of delinquent taxes to the county collector.

To ensure all property tax transactions are accounted for and to ensure compliance with state law, the Village Clerk/Collector should prepare an annual report as of January 1 summarizing total taxes charged, total collections, and a listing of delinquent taxes. The village board should review and approve the report and the delinquent tax listings, and turn over the collection of the delinquent taxes to the county collector.

WE RECOMMEND the Board of Trustees ensure the Village Clerk/Collector:

- A. Prepares listings of individual property tax receipts and reconciles the receipts to bank deposits.
- B. Deposits property tax receipts in a timely manner.
- C. Distributes all property tax collections to the various village funds and the county on a timely basis. In addition, the Village Clerk/Collector should determine the proper distribution of all taxes collected since 2004, distribute those amounts, and ensure the tax collection bank account zeroes out.

- D. Prepares annual statements of property tax charges, collections and amounts remaining delinquent as of January 1. In addition, the board should turn over the collection of delinquent taxes to the county collector as required by state law.

AUDITEE'S RESPONSE

- A. *This is now being done.*
- B. *We will deposit as frequently as possible; however, there is no bank located in the village and the cost of driving to the bank has been increasing.*
- C. *We will implement this recommendation.*
- D. *We agree and will consider contracting with the county to collect all village property taxes.*

5. Payroll and Related Matters

The village does not have adequate procedures to ensure that payroll expenses are properly reported and that payroll tax withholdings are properly computed and disbursed. Some compensation payments were not subject to payroll tax withholdings or W-2 reporting, and the village does not file 1099 forms as required.

- A. The village did not retain adequate payroll information to show compliance with various Internal Revenue Service (IRS) and other requirements, as follows:
1. In 2007 and 2006, the village did not withhold any federal or state taxes from employees' paychecks. The village does not require employees to prepare federal W-4 forms or state withholding forms, which are required to support the proper withholding of federal and state taxes.
 2. Copies of some required payroll reporting forms were not maintained, although the former Village Clerk indicated she filed the required forms. For 2007, the village could only provide a copy of the federal 941 report for the third quarter of the year, although this report is required to be filed for every quarter. Also, some copies of state unemployment tax reports were not available.
 3. It appears the village has not appropriately disbursed some payroll tax withholdings. A scan of the village check registers indicated that checks were not issued for some required quarterly payments. In addition, some mathematical errors were noted on federal 941 and state unemployment tax reports that were available, including using a slightly higher percentage for the determination of federal Social Security and Medicare taxes.

Adequate calculations of payroll taxes is needed in order to file accurate payroll reports, and retention of payroll documentation is required to support payroll tax computations and to show compliance with applicable federal and state laws and regulations. The village should review its records and contact the IRS and the state to ensure all applicable payroll withholdings have been made and disbursed and to ensure all applicable reports have been filed. Failure to properly withhold and report payroll taxes could result in fines and penalties to be levied against the village.

- B. The following payments to employees were not subject to payroll tax withholdings or W-2 reporting:
1. The former Village Clerk/Collector was paid a salary and was also paid commissions for collecting village property taxes. The salary was subject to payroll tax withholdings and reported to the IRS on W-2 forms (2007 W-2 forms have not been filed as noted above); however, the commissions, totaling \$254 and \$509 for 2007 and 2006, respectively, were not reported on W-2 forms nor were applicable payroll taxes withheld from the commissions. The current Village Clerk/Collector was not paid any commissions until 2008.
 2. The current Village Clerk, who was a village board member until April 2006 and was appointed Village Clerk in September 2007, has been paid \$75 a month for meter-reading services. Prior to October 2006, these payments were not subject to payroll tax withholding or W-2 reporting. Subsequent payments have been subjected to payroll tax withholding and W-2 reporting; however, the 2007 W-2 forms have not been filed as noted above.

Since the payments for commissions and meter-reading services represent compensation for performing village duties, it appears these payments should be subject to payroll tax withholding and W-2 reporting. The village should ensure that all future amounts paid to employees are subject to payroll tax withholding and reported to the IRS. In addition, the village should contact the IRS to determine if amended W-2 forms should be filed for payments not previously reported.

- C. The village has no procedures in place to ensure Forms 1099 are filed with the Internal Revenue Service (IRS). As a result, the village did not file Forms 1099 for payments made for mowing services totaling \$1,550 in 2007 and \$1,850 in 2006. Sections 6041 through 6051 of the Internal Revenue Code require payment of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) to be reported to the federal government on Forms 1099.

WE RECOMMEND the Board of Trustees:

- A. Ensure all payroll taxes are properly computed and disbursed and all federal and state payroll tax forms are prepared and filed on a timely basis. Copies of all forms and computations should be maintained. The village should contact the IRS and the state to ensure all prior payroll taxes have been properly disbursed and all payroll reports have been filed accurately and timely, and file amended returns as necessary.
- B. Ensure that all compensation paid to employees, such as commissions on property tax collections and meter-reading payments, are subject to payroll tax withholding and reported on the employees' W-2 forms. In addition, the village should contact the IRS to determine if amended W-2 forms should be issued.
- C. Establish procedures to ensure IRS Forms 1099 are filed as required.

AUDITEE'S RESPONSE

- A. *W-4 forms are now on file for employees. The village clerk indicated that the village qualifies to file payroll tax reporting forms (form 944) on an annual basis and he has contacted the IRS to make this switch. All required payroll forms will be prepared and retained and withholdings will be properly computed and disbursed.*

B&C. We agree and will implement.

6. Expenditures

The village does not have formal bidding or purchasing policies and board approval is not documented for some disbursements. The village made disbursements on behalf of a not-for-profit (NFP) corporation without a written agreement. The village made payments for sewer testing services without a written agreement, and there is a dispute regarding amounts owed by the village for these services. The village did not document how it allocated certain expenses to various village funds.

- A. The village has not established formal bidding or purchasing policies. Although the village makes mostly small or routine purchases, formal bidding and purchasing policies would help ensure that the village obtains goods and services at a reasonable price.

For example, the village purchased gravel costing \$5,050 in 2006. The board did not solicit bids for this purchase or otherwise document that a reasonable price was paid, such as calling other vendors for price quotes. The village also purchases property and liability insurance without obtaining bids.

Formal bidding and purchasing procedures would provide the framework for economical management of village resources and help ensure the village receives fair value for all purchases. For purchases in which soliciting bids may not be practical, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid.

- B. The Board of Trustees receives and approves a listing of bills to be approved and paid which is included in the monthly meeting minutes; however, numerous disbursements were made that were not included on these listings or otherwise approved by the board, such as payments for gravel, insurance, mowing, and electric bills. In addition, checks are sometimes signed in advance by board members without consideration of the payee, amount, or anticipated date of payment. Checks require dual signatures and are generally signed by the board chairman and another board member.

Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs to the village. To adequately document the board's review and approval, a complete listing of all bills to be paid should be prepared and included in the board minutes. The listing should also include disbursements which the board has determined are routine bills which may be paid prior to the monthly meetings. In addition, the board should discontinue the practice of signing checks in advance.

- C. The village made several disbursements in 2007 on behalf of the Community Building which is used by the village for its monthly board meetings, but is apparently owned by a separate NFP corporation. There is no written agreement between the village and the NFP to define the relationship between the two entities.

Village disbursements for the Community Building included \$234 for electricity, \$176 for repairs, and \$706 for insurance. Prior to 2007, the village paid \$20 per month to rent the Community Building, and village officials indicated that these payments for the Community Building were made in lieu of rent. In addition, village officials indicated that the NFP was having financial difficulties.

Disbursements should only be made for reasonable and necessary purchases to operate the village, and the purpose of all disbursements should be adequately documented. Disbursements made on behalf of the Community Building should be made in accordance with a contract or written agreement between the two parties which clearly document the responsibilities of each party and the benefits received by the village.

- D. The village paid a total of \$5,000 to the City of Galt for sewer testing services during 2007 and 2006. The village did not enter into a contract for these services and did not retain invoices or other supporting documentation for several of these

payments. Currently, a village employee has the proper qualifications to perform the required testing and the village no longer uses the city for this service.

Of the \$5,000 paid to the city, two checks totaling \$1,300 have not cleared the village's bank account (\$300 in 2007 and \$1,000 in 2006). The city recently provided the village with documentation that indicates the village owes the city \$5,334 in unpaid services. This documentation indicated the city received a total of \$3,700 from the village during 2006 and 2007 (\$5,000 less the \$1,300 in checks which have not cleared the village's bank account). Village officials could not provide documentation of the amount they believe is owed to the city, although current board members and the former village clerk indicated the amount owed is much less than the amount documented by the city.

The village was not monitoring bank activity and performing bank reconciliations, so the village did not detect the outstanding checks on a timely basis. In addition, the village apparently had no controls in place to ensure all services provided by the city were billed and paid in full.

The village should work with the City of Galt to determine the proper amount still due to the city for sewer testing services, and the village should follow up on the outstanding checks and re-issue them if necessary. Any future payments of this nature should be done on a contractual basis to help avoid misunderstandings, and supporting documentation should be maintained for all disbursements.

- E. The village made disbursements from various funds on an inconsistent basis as follows:
1. Property and liability insurance payments in 2007 (including the payment for the Community Building noted above) were made from the General Fund totaling \$806 and the Water and Sewer Fund totaling \$2,185. In 2006, \$260 was paid from the General Fund and \$2,127 was paid from the Street Fund. While it would appear reasonable to allocate insurance expense as it relates to various village activities or functions, the village had no documentation to support the allocation of insurance expenses to the various funds.
 2. Meter-reading payments were paid from Water and Sewer Fund in 2007; however, in 2006, \$675 was paid from the Street Fund and \$225 was paid from the Water and Sewer Fund. Meter reading is a function of providing water services, so it would appear that all of these expenses should be paid from the Water and Sewer Fund.
 3. Mowing expenses for 2007 were paid \$275 from the General Fund, \$250 from the Water and Sewer Fund, and \$1,025 from the Park Fund. In 2006, \$650 was paid from the Water Fund and \$1,200 was paid from the Park

Fund. The village had no documentation to support the allocation of mowing expenses to the various funds.

Because of legal and other restrictions on the use of the various funds, the village should ensure all expenses are paid from the appropriate fund. For any expenses that are allocated to more than one fund, the village should prepare and retain documentation to support the allocation.

WE RECOMMEND the Board of Trustees:

- A. Establish formal bidding and purchasing policies and maintain documentation to ensure the village receives fair value for all major purchases.
- B. Discontinue the practice of signing checks in advance, and review and approve all expenditures of village funds.
- C. Ensure the purpose of all expenditures is adequately documented. If the village continues to make payments on behalf of the Community Building, the village should enter into a contract with the NFP to document the responsibilities of each party and the benefits received by the village.
- D. Work with the City of Galt to determine the proper amount due the city for sewer testing services. Any future agreements should be in writing and payments should be adequately documented.
- E. Ensure all expenses are paid from the appropriate fund, and maintain documentation to support expenses that are allocated to various funds.

AUDITEE'S RESPONSE

A,B,
&E. *We agree and will implement.*

C. *We will discuss this matter and take appropriate action.*

D. *We will work to resolve this matter.*

7. Water and Sewer System Concerns

The village does not keep records of refundable customer deposits. Some water/sewer receipts were not recorded as received and receipts are not reconciled to bank deposits. The village does not reconcile total billings, payments received, and amounts remaining unpaid, and does not have comprehensive policies to follow up on delinquent accounts. The village does not reconcile gallons of water purchased to gallons of water billed to

customers. During the year ended December 31, 2007, the village deposited approximately \$38,000 in water and sewer fees and customer deposits.

- A. The village does not maintain a complete, accurate, and up-to-date listing of refundable deposits, and the village has not established a control account to track total liabilities related to the meter deposits. Village residents are required to pay a meter deposit before receiving water services. The village clerk records some of the meter deposits at the bottom of the monthly ledger billing sheets; however, there is no complete listing of deposits received, disbursed or applied to final billings, and amounts on hand.

The village should establish a control account liability balance for the total meter deposits. In addition, the village should prepare a detailed listing of all meter deposits received and disbursed, and periodically reconcile the deposits on hand to the control account balance. These procedures would help ensure that sufficient funds are available for the payment of all liabilities.

- B. The village prepares a monthly ledger of water and sewer billings and receipts. Receipts recorded on the ledger are not reconciled to deposits, and our review noted that some amounts received and deposited were not recorded on the ledgers. In addition, receipts are usually only deposited once a month. To ensure water and sewer receipts are properly accounted for and deposited, all receipts should be recorded as received on either the monthly ledger or some other record and deposited timely. In addition, the receipts should be reconciled to bank deposits.
- C. The village does not reconcile the total billings, payments received, and amounts remaining unpaid. The Village Clerk periodically prepares a listing of delinquent accounts, and the delinquent listing at December 31, 2007, showed a total of 12 delinquent accounts totaling \$1,353; however, because of the lack of reconciliations and the unrecorded receipts on the monthly ledger as noted in Part B above, the amounts recorded by the Village Clerk as unpaid delinquent accounts do not appear accurate.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made.

- D. The village has not adopted comprehensive written policies and procedures to follow up on delinquent water/sewer accounts. While village officials indicated some procedures are in place, including the assessment of interest and penalties on delinquent accounts, it appears these procedures are not consistently followed. For example, a board member had past due amounts for sewer/water services during 2007, which totaled \$300 at December 31, 2007, and it appears no interest or penalties have been assessed. In addition, village officials indicated that shut-off of services is rarely performed.

Comprehensive written policies and procedures are necessary so that staff will have clear guidelines to follow, and collection actions will be consistently and fairly applied to all customers.

- E. The village is currently not comparing the total gallons of water billed to customers to the gallons of water purchased from the Sullivan Public Water District #1. The village was documenting these comparisons through August 2006. The Village Clerk indicated he still compares this information but does not document his review. During 2006, the village documented that the gallons of water purchased exceeded the gallons of water billed from 6 to 24 percent. The Public Service Commission generally recommends such differences be investigated if unbilled water usage exceeds 15 percent.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the village should prepare and maintain comparisons of water purchased to water billed on a monthly basis and investigate significant differences.

WE RECOMMEND the Board of Trustees:

- A. Maintain a complete listing of meter deposits, establish a control account of the refundable deposits, and periodically reconcile the listing to monies held by the village.
- B. Ensure that all water/sewer receipts are recorded when received and deposited timely. In addition, the receipts as recorded on the accounting records should be reconciled to bank deposits.
- C. Perform monthly reconciliations of sewer and water billings, collections, and receivables to ensure the accounting records are in balance and accurate records of delinquent accounts are maintained.
- D. Develop comprehensive written policies for follow-up on delinquent water/sewer accounts and consistently enforce those policies.
- E. Perform monthly comparisons of the total gallons of water billed to the total gallons of water purchased. Any significant differences should be documented and investigated.

AUDITEE'S RESPONSE

- A. *We will do the best we can to determine the amount of customer deposits on hand. Many long-term customers appear to have paid deposits as low as \$5, while current water/sewer customers are charged \$150 and current water only customers are charged \$65.*

- B. *Deposits will be made as timely as possible, considering the expense of driving to the bank. The current village clerk indicated that he believes that all receipts are now being recorded on the monthly ledgers.*
- C. *We agree and will attempt to implement this recommendation.*
- D. *We agree and will develop formal policies and consistently enforce those policies.*
- E. *We agree and will implement.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF HUMPHREYS
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Village of Humphreys is located in Sullivan County. The village was incorporated in 1880. The population of the village in 2000 was 164.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman is appointed by the board from the members. The Board of Trustees during the year ended December 31, 2007, are identified below.

Board of Trustees	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Marion Carlock, Chairman (1)	January to December 2007	\$ 0
Jeannie Thompson, Member (1) (3)	September to December 2007	0
Jack McDonald, Chairman (1) (2)	January to September 2007	220
Helen Blackburn, Member	January to December 2007	0
Michael Webb, Member (3)	January to December 2007	0
Eddie Stevens, Member (3)	January to December 2007	0

- (1) Jack McDonald resigned from the board in September 2007 and was replaced by Jeannie Thompson. Marion Carlock was appointed chairman in September 2007.
- (2) Compensation to perform various services for the village, such as cutting trees and investigating water leaks.
- (3) In April 2008, Jack McDonald and John Garrison were elected to the board to replace Jeannie Thompson and Eddie Stevens, and Michael Webb was appointed chairman.

Other Officials	Dates of Service During the Year Ended December 31, 2007	Compensation Paid for the Year Ended December 31, 2007
Terry Hudson, Village Clerk/Collector (3)	September to December 2007	\$ 2,035
Janet Elliott, Village Clerk/Collector (4)	January to August 2007	3,454

(3) Includes \$1,135 salary for serving as Village Clerk and \$900 for meter-reading services.

(4) Includes \$3,200 salary for serving as Village Clerk and \$254 in commissions for collecting village property taxes.

In addition to the officials identified above, the city employed two part-time employees during fiscal year ended December 31, 2007.

Assessed valuations and tax rates for 2007 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 160,898
Personal property	99,069
Total	<u>\$ 259,967</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General	\$.75
Parks and Recreation	.50
Lights*	.00
Streets*	.00

* The village voluntarily rolled back these levies to zero for 2007. The rate ceilings for these levies were \$1.50 for lights and \$1.00 for streets.

A summary of the village's financial activity for the year ended December 31, 2007, was obtained from the village bank account information and is presented on the following page:

	General Fund	Tax Collection Fund	Water and Sewer Fund	Bond Reserve Fund	Street Fund	Light Fund	Park Fund	Total
RECEIPTS								
Property taxes	\$	2,678						2,678
Motor fuel and vehicle fees					7,114			7,114
Water and sewer fees			38,253					38,253
Interest			696	892	2,113			3,701
Other	21							21
Total Receipts	21	2,678	38,949	892	9,227	0	0	51,767
DISBURSEMENTS								
Wages and salaries	443		7,589					8,032
Payroll taxes			431					431
Commissions		254						254
Insurance	806		2,185					2,991
Water purchases			10,873					10,873
Electricity	81		516			649		1,246
Water testing and repairs			2,069					2,069
Maintenance and mowing	275		250				1,025	1,550
Gravel					345			345
Street lights					1,637			1,637
Debt service			4,116					4,116
Sales tax			483					483
Refunds			388					388
Other	188	24	3,340		195		21	3,768
Total Disbursements	1,793	278	32,240	0	2,177	649	1,046	38,183
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,772)	2,400	6,709	892	7,050	(649)	(1,046)	13,584
CASH, JANUARY 1, 2007	2,620	1,925	3,965	32,638	69,566	2,130	2,010	114,854
CASH, DECEMBER 31, 2007	\$ 848	4,325	10,674	33,530	76,616	1,481	964	128,438



Susan Montee, CPA
Missouri State Auditor

Clark County



June 2008

Report No. 2008-38

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Clark, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The General Revenue Fund and the ½ Cent Sales Tax-Jail Operations Fund remain in poor financial condition. While receipts have generally increased, the county's spending has also increased. Although the County Commission has held steady or reduced disbursements in some areas, those changes have generally not kept pace with the changes in related receipts and have been offset somewhat by increased disbursements in other areas.

The county's budgetary practices are in need of improvement. Actual disbursements exceeded budgeted amounts for some funds and budgets were not prepared for several funds. In addition, the County Commission consistently budgeted a deficit fund balance for the ½ Cent Sales Tax-Jail Operations Fund. The approved budget documents indicate a zero balance for most funds at year end; however, several of the funds often end with a significant balance. Administrative service fee transfers from the Special Road and Bridge Fund to the General Revenue Fund were excessive given unreasonable budget estimates.

Controls and procedures over the Sheriff's Department need improvement. Cash custody and recordkeeping duties have not been adequately segregated and the civil process log is not updated to show when fees are received. Accounting records are not reconciled with the bank account balance monthly and procedures for handling old outstanding checks need improvement. Board bill procedures are not adequate and the Sheriff does not have written contracts with the surrounding counties for boarding prisoners. A cost analysis of the county preparing inmate meals versus outsourcing was not performed. Records and monitoring procedures for county vehicles used by Sheriff's deputies are not sufficient. Fees withheld from a partition sale were not calculated in accordance with state laws. Accounting procedures for inmate and commissary monies are in need of improvement.

Controls and procedures over the Associate Circuit Court are in need of improvement. Duties of receiving, recording, and depositing receipts are not adequately segregated, the numerical sequences of receipt slips and checks are not accounted for properly and manual receipt slips are not traced to the Justice Information System (JIS). In addition, monies received are not always deposited in a timely manner, bank reconciliations are not

(over)

YELLOW SHEET

prepared on a timely basis and bonds posted by defendants who fail to make the required court appearances are not followed up on adequately. Also, the court could not provide legal authority for the collection of community service fees from defendants ordered to perform community service.

Controls and procedures over the Circuit Clerk's office need improvement. Accrued case costs are not actively monitored and pursued, bank reconciliations are not prepared on a timely basis and records and monitoring procedures for open items listings (liabilities) are not sufficient. Also, interest earned from the Circuit Clerk's general account is not transferred to the Circuit Clerk Interest Fund on a timely basis and some invoices were not maintained for purchases made from the Interest Fund.

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring the defendants to make a "donation" to the Clark County Youth Fund or Dollars for Scholars Fund as a condition of reducing the charges and entering into a plea bargain. The donations are distributed to various not-for-profit organizations and other political subdivisions; however, the Prosecuting Attorney does not make the judge aware of the donation when presenting the plea bargain to the court. While the Prosecuting Attorney indicated he believed the funds benefited the youth of the county, the Associate Circuit Judge said since the last audit, he had sent a letter to the Prosecuting Attorney requesting this practice cease.

Controls and procedures over the Drug Court need improvement. Prenumbered receipt slips are not used for monies received, the method of payment is not always noted on receipt slips issued, and the composition of the receipt slips is not reconciled to the composition of the deposits. Also, some concerns were noted regarding disbursements, including lack of bid documentation, not canceling invoices and potentially unreasonable expenses.

Also included in the report are recommendations related to county procedures, payroll and personnel procedures, county disbursements, capital assets, and computer controls. The audit also suggested improvements to the procedures of the Ex Officio Recorder of Deeds.

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Clark County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Clark County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Clark County, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Clark County, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 30, 2008, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Clark County, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

January 30, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Chris Vetter
Audit Staff:	Steven Re', CPA
	Julie M. Moore
	Zeb Tharp
	Katie Twiehaus



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Clark County, Missouri

We have audited the financial statements of various funds of Clark County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Clark County, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Clark County, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Clark County, federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 30, 2008

Financial Statements

Exhibit A-1

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ (45,817)	981,922	956,133	(20,028)
Special Road and Bridge	85,888	1,108,523	1,162,761	31,650
Assessment	9,686	98,611	99,996	8,301
Law Enforcement Training	327	2,544	2,783	88
Prosecuting Attorney Training	132	638	839	(69)
1/2 Cent Sales Tax Road and Bridge	13,240	262,779	237,823	38,196
County Recorder	13,294	3,637	10,165	6,766
Prosecuting Attorney Bad Check	7,866	9,570	8,567	8,869
Domestic Violence	3,693	2,934	0	6,627
Community Service	18,270	19,708	20,180	17,798
Local Emergency Planning Commission	8,743	3,943	1,897	10,789
Domestic Violence Against Women	(3,273)	49,153	47,628	(1,748)
1/2 Cent Sales Tax-Jail Building	3,451	72	770	2,753
1/2 Cent Sales Tax-Jail Operating	(61,962)	259,013	295,398	(98,347)
Peace Officers Standards and Training	3,793	1,387	807	4,373
Law Enforcement Support (Canine)	2,982	0	0	2,982
Clark County Youth	878	20,023	16,970	3,931
Community Development Block Grant	1,006	9,497	10,503	0
Sheriff Civil Fees	3,038	3,619	5,334	1,323
Election Service	2,207	1,506	1,131	2,582
Drug Court	10,157	79,262	70,982	18,437
Recorder Automatic	692	3,396	2,340	1,748
Help America Vote Act	13,944	119,094	123,696	9,342
Tax Maintenance	11,439	7,642	9,055	10,026
Cemetery Trust	64,185	2,430	3,290	63,325
Local Law Enforcement Block Grant	0	8,640	8,640	0
Sheriff's Explorers	127	459	132	454
Associate Circuit Division Interest	1,423	316	422	1,317
Circuit Clerk Interest	2,201	2,175	1,872	2,504
Circuit Clerk Passport	690	2,860	1,110	2,440
Law Library	7,980	3,601	1,557	10,024
Total	\$ 180,280	3,068,954	3,102,781	146,453

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ (1,899)	979,759	1,023,677	(45,817)
Special Road and Bridge	105,935	1,576,511	1,596,558	85,888
Assessment	10,083	98,153	98,550	9,686
Law Enforcement Training	630	2,931	3,234	327
Prosecuting Attorney Training	(173)	729	424	132
1/2 Cent Sales Tax Road and Bridge	15,200	216,740	218,700	13,240
County Recorder	9,702	3,592	0	13,294
Prosecuting Attorney Bad Check	8,875	3,681	4,690	7,866
Domestic Violence	1,754	2,944	1,005	3,693
Community Service	11,643	25,433	18,806	18,270
Local Emergency Planning Commission	6,844	4,689	2,790	8,743
Domestic Violence Against Women	(3,326)	47,029	46,976	(3,273)
1/2 Cent Sales Tax-Jail Building	4,350	181	1,080	3,451
1/2 Cent Sales Tax-Jail Operating	(27,279)	290,541	325,224	(61,962)
Peace Officers Standards and Training	4,864	1,380	2,451	3,793
Law Enforcement Support (Canine)	2,982	0	0	2,982
Clark County Youth	3,704	21,356	24,182	878
Community Development Block Grant	1,006	0	0	1,006
Sheriff Civil Fees	0	5,289	2,251	3,038
Election Service	2,441	860	1,094	2,207
Drug Court	9,833	121,531	121,207	10,157
Recorder Automatic	5,263	2,103	6,674	692
Help America Vote Act	15,017	6,489	7,562	13,944
Tax Maintenance	8,535	6,981	4,077	11,439
Cemetery Trust	64,185	2,441	2,441	64,185
Revere Fire Department Grant	0	41,514	41,514	0
Sheriff's Explorers	26	141	40	127
Associate Circuit Division Interest	1,027	396	0	1,423
Circuit Clerk Interest	1,660	621	80	2,201
Circuit Clerk Passport	0	690	0	690
Law Library	6,578	3,325	1,923	7,980
Total	\$ 269,460	3,468,030	3,557,210	180,280

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,566,485	3,057,113	(509,372)	3,678,857	3,418,902	(259,955)
DISBURSEMENTS	3,673,751	3,094,398	579,353	3,873,559	3,511,212	362,347
RECEIPTS OVER (UNDER) DISBURSEMENTS	(107,266)	(37,285)	69,981	(194,702)	(92,310)	102,392
CASH, JANUARY 1	103,674	103,674	0	195,984	195,984	0
CASH, DECEMBER 31	(3,592)	66,389	69,981	1,282	103,674	102,392
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	278,250	279,532	1,282	266,800	264,293	(2,507)
Sales taxes	227,000	221,482	(5,518)	240,000	216,741	(23,259)
Intergovernmental	61,104	97,946	36,842	169,156	98,111	(71,045)
Charges for services	302,100	270,329	(31,771)	263,300	275,804	12,504
Interest	3,000	1,377	(1,623)	3,300	1,842	(1,458)
Other	29,700	24,348	(5,352)	32,550	23,464	(9,086)
Transfers in	86,908	86,908	0	99,504	99,504	0
Total Receipts	988,062	981,922	(6,140)	1,074,610	979,759	(94,851)
DISBURSEMENTS						
County Commissioner	90,691	85,343	5,348	91,779	89,751	2,028
County Clerk	69,590	67,565	2,025	69,670	68,016	1,654
Elections	26,200	23,173	3,027	7,900	6,510	1,390
Buildings and grounds	42,973	39,305	3,668	42,022	42,006	16
Employee fringe benefit	3,263	3,407	(144)	3,537	3,181	356
County Treasurer	33,859	33,830	29	34,238	33,451	787
County Collector	76,370	75,064	1,306	76,935	76,134	801
Circuit Clerk/Ex Officio Recorder of Deed	32,413	28,390	4,023	34,231	33,437	794
Associate Circuit Court	4,000	3,617	383	6,116	2,895	3,221
Court administration	5,416	3,665	1,751	5,416	3,586	1,830
Public Administrator	17,007	16,926	81	16,697	16,812	(115)
Sheriff	319,891	347,331	(27,440)	379,048	344,898	34,150
Prosecuting Attorney	77,291	75,776	1,515	78,280	75,248	3,032
Juvenile Offices	14,359	9,583	4,776	11,341	14,334	(2,993)
County Coroner	12,927	14,920	(1,993)	12,927	11,738	1,189
Court reporter	250	349	(99)	500	231	269
COPS in Schools	32,708	34,966	(2,258)	58,748	60,034	(1,286)
COPS Universal	130	593	(463)	21,160	19,167	1,993
Other	51,096	89,222	(38,126)	47,148	50,971	(3,823)
Transfers out	3,108	3,108	0	37,442	37,442	0
Emergency Fund	28,703	0	28,703	37,576	33,835	3,741
Total Disbursements	942,245	956,133	(13,888)	1,072,711	1,023,677	49,034
RECEIPTS OVER (UNDER) DISBURSEMENTS	45,817	25,789	(20,028)	1,899	(43,918)	(45,817)
CASH, JANUARY 1	(45,817)	(45,817)	0	(1,899)	(1,899)	0
CASH, DECEMBER 31	0	(20,028)	(20,028)	0	(45,817)	(45,817)

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	448,600	459,951	11,351	448,400	440,168	(8,232)
Intergovernmental	1,007,415	560,059	(447,356)	1,160,635	1,114,087	(46,548)
Charges for services	6,300	6,693	393	6,000	6,174	174
Interest	4,200	3,482	(718)	6,000	3,212	(2,788)
Other	22,500	78,338	55,838	23,116	12,870	(10,246)
Total Receipts	1,489,015	1,108,523	(380,492)	1,644,151	1,576,511	(67,640)
DISBURSEMENTS						
Salaries	332,000	327,808	4,192	376,191	331,888	44,303
Employee fringe benefit	143,097	128,276	14,821	146,114	126,604	19,510
Supplies	131,560	102,633	28,927	90,700	129,333	(38,633)
Insurance	41,000	31,881	9,119	37,473	37,959	(486)
Road and bridge materials	270,650	267,229	3,421	271,654	214,726	56,928
Equipment repairs	40,000	51,617	(11,617)	55,000	28,119	26,881
Equipment purchases	20,000	21,340	(1,340)	50,000	8,375	41,625
Construction, repair, and maintenance	505,000	81,683	423,317	618,000	617,629	371
Other	16,600	38,298	(21,698)	17,450	14,421	3,029
Transfers out	74,996	111,996	(37,000)	87,504	87,504	0
Total Disbursements	1,574,903	1,162,761	412,142	1,750,086	1,596,558	153,528
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,888)	(54,238)	31,650	(105,935)	(20,047)	85,888
CASH, JANUARY 1	85,888	85,888	0	105,935	105,935	0
CASH, DECEMBER 31	0	31,650	31,650	0	85,888	85,888
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	98,000	97,202	(798)	89,500	97,234	7,734
Interest	375	445	70	550	354	(196)
Other	650	964	314	750	565	(185)
Total Receipts	99,025	98,611	(414)	90,800	98,153	7,353
DISBURSEMENTS						
Assessor	103,746	99,996	3,750	99,601	98,550	1,051
Total Disbursements	103,746	99,996	3,750	99,601	98,550	1,051
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,721)	(1,385)	3,336	(8,801)	(397)	8,404
CASH, JANUARY 1	9,686	9,686	0	10,083	10,083	0
CASH, DECEMBER 31	4,965	8,301	3,336	1,282	9,686	8,404
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,173	2,544	(629)	3,800	2,931	(869)
Total Receipts	3,173	2,544	(629)	3,800	2,931	(869)
DISBURSEMENTS						
Sheriff	3,500	2,783	717	4,430	3,234	1,196
Total Disbursements	3,500	2,783	717	4,430	3,234	1,196
RECEIPTS OVER (UNDER) DISBURSEMENTS	(327)	(239)	88	(630)	(303)	327
CASH, JANUARY 1	327	327	0	630	630	0
CASH, DECEMBER 31	0	88	88	0	327	327

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	850	638	(212)	1,200	729	(471)
Total Receipts	850	638	(212)	1,200	729	(471)
DISBURSEMENTS						
Prosecuting Attorney	982	839	143	1,027	424	603
Total Disbursements	982	839	143	1,027	424	603
RECEIPTS OVER (UNDER) DISBURSEMENTS	(132)	(201)	(69)	173	305	132
CASH, JANUARY 1	132	132	0	(173)	(173)	0
CASH, DECEMBER 31	0	(69)	(69)	0	132	132
<u>1/2 CENT SALES TAX ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Sales taxes	225,000	221,482	(3,518)	225,000	216,740	(8,260)
Other	0	4,297	4,297	0	0	0
Transfers in	0	37,000	37,000	0	0	0
Total Receipts	225,000	262,779	37,779	225,000	216,740	(8,260)
DISBURSEMENTS						
Leased equipment	106,328	106,356	(28)	100,200	95,036	5,164
Rock	120,000	119,555	445	128,000	111,664	16,336
Transfers out	11,912	11,912	0	12,000	12,000	0
Total Disbursements	238,240	237,823	417	240,200	218,700	21,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,240)	24,956	38,196	(15,200)	(1,960)	13,240
CASH, JANUARY 1	13,240	13,240	0	15,200	15,200	0
CASH, DECEMBER 31	0	38,196	38,196	0	13,240	13,240
<u>COUNTY RECORDER FUND</u>						
RECEIPTS						
Charges for services	3,600	3,478	(122)	4,100	3,476	(624)
Interest	150	159	9	100	116	16
Total Receipts	3,750	3,637	(113)	4,200	3,592	(608)
DISBURSEMENTS						
Ex Officio Recorder of Deed	17,044	10,165	6,879	13,902	0	13,902
Total Disbursements	17,044	10,165	6,879	13,902	0	13,902
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,294)	(6,528)	6,766	(9,702)	3,592	13,294
CASH, JANUARY 1	13,294	13,294	0	9,702	9,702	0
CASH, DECEMBER 31	0	6,766	6,766	0	13,294	13,294

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	3,600	9,425	5,825	3,900	3,591	(309)
Interest	125	145	20	150	90	(60)
Total Receipts	3,725	9,570	5,845	4,050	3,681	(369)
DISBURSEMENTS						
Prosecuting Attorney	8,380	8,567	(187)	12,925	4,690	8,235
Total Disbursements	8,380	8,567	(187)	12,925	4,690	8,235
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,655)	1,003	5,658	(8,875)	(1,009)	7,866
CASH, JANUARY 1	7,866	7,866	0	8,875	8,875	0
CASH, DECEMBER 31	3,211	8,869	5,658	0	7,866	7,866
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	3,200	2,934	(266)	450	2,944	2,494
Total Receipts	3,200	2,934	(266)	450	2,944	2,494
DISBURSEMENTS						
Domestic violence shelte	6,893	0	6,893	2,204	1,005	1,199
Total Disbursements	6,893	0	6,893	2,204	1,005	1,199
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,693)	2,934	6,627	(1,754)	1,939	3,693
CASH, JANUARY 1	3,693	3,693	0	1,754	1,754	0
CASH, DECEMBER 31	0	6,627	6,627	0	3,693	3,693
<u>COMMUNITY SERVICE FUND</u>						
RECEIPTS						
Charges for service:	26,000	19,616	(6,384)	25,000	25,348	348
Other	90	92	2	0	85	85
Total Receipts	26,090	19,708	(6,382)	25,000	25,433	433
DISBURSEMENTS						
Salary and fringe benefit:	40,000	14,784	25,216	33,000	17,092	15,908
Equipment purchases:	0	4,196	(4,196)	0	514	(514)
Contract labor	1,200	1,200	0	1,200	1,200	0
Other	3,160	0	3,160	2,443	0	2,443
Total Disbursements	44,360	20,180	24,180	36,643	18,806	17,837
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,270)	(472)	17,798	(11,643)	6,627	18,270
CASH, JANUARY 1	18,270	18,270	0	11,643	11,643	0
CASH, DECEMBER 31	0	17,798	17,798	0	18,270	18,270

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	10,000	3,943	(6,057)	9,480	3,688	(5,792)
Other	0	0	0	2,520	1,001	(1,519)
Total Receipts	10,000	3,943	(6,057)	12,000	4,689	(7,311)
DISBURSEMENTS						
Other	18,743	1,897	16,846	18,844	2,790	16,054
Total Disbursements	18,743	1,897	16,846	18,844	2,790	16,054
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,743)	2,046	10,789	(6,844)	1,899	8,743
CASH, JANUARY 1	8,743	8,743	0	6,844	6,844	0
CASH, DECEMBER 31	0	10,789	10,789	0	8,743	8,743
DOMESTIC VIOLENCE AGAINST WOMEN FUND						
RECEIPTS						
Intergovernmental	61,156	49,153	(12,003)	53,581	47,029	(6,552)
Total Receipts	61,156	49,153	(12,003)	53,581	47,029	(6,552)
DISBURSEMENTS						
Salaries and fringe benefit:	39,648	38,277	1,371	38,295	37,808	487
Travel	15,354	7,893	7,461	10,139	6,733	3,406
Equipment purchases:	932	0	932	958	0	958
Supplies	1,949	1,458	491	863	1,910	(1,047)
Other	0	0	0	0	525	(525)
Total Disbursements	57,883	47,628	10,255	50,255	46,976	3,279
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,273	1,525	(1,748)	3,326	53	(3,273)
CASH, JANUARY 1	(3,273)	(3,273)	0	(3,326)	(3,326)	0
CASH, DECEMBER 31	0	(1,748)	(1,748)	0	(3,273)	(3,273)
1/2 CENT SALES TAX-JAIL BUILDING FUND						
RECEIPTS						
Sales taxes	200	0	(200)	800	106	(694)
Interest	85	72	(13)	250	75	(175)
Other	0	0	0	50	0	(50)
Total Receipts	285	72	(213)	1,100	181	(919)
DISBURSEMENTS						
Jail	3,736	770	2,966	5,450	1,080	4,370
Total Disbursements	3,736	770	2,966	5,450	1,080	4,370
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,451)	(698)	2,753	(4,350)	(899)	3,451
CASH, JANUARY 1	3,451	3,451	0	4,350	4,350	0
CASH, DECEMBER 31	0	2,753	2,753	0	3,451	3,451

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>1/2 CENT SALES TAX-JAIL OPERATING FUND</u>						
RECEIPTS						
Sales taxes	227,000	221,428	(5,572)	240,000	216,715	(23,285)
Intergovernmental	600	600	0	6,000	600	(5,400)
Charges for service:	36,000	36,000	0	36,000	36,000	0
Other	0	985	985	0	2,028	2,028
Transfers in	0	0	0	35,198	35,198	0
Total Receipts	263,600	259,013	(4,587)	317,198	290,541	(26,657)
DISBURSEMENTS						
Salaries and fringe benefit:	190,703	197,151	(6,448)	180,341	203,082	(22,741)
Office expenditures:	31,800	28,064	3,736	33,100	35,122	(2,022)
Equipment purchases:	6,000	5,048	952	6,400	8,759	(2,359)
Meals	27,000	23,072	3,928	26,500	25,278	1,222
Insurance	12,000	14,318	(2,318)	17,000	27,627	(10,627)
Utilities	14,800	14,541	259	13,300	13,922	(622)
Other	12,010	13,204	(1,194)	13,278	11,434	1,844
Total Disbursements	294,313	295,398	(1,085)	289,919	325,224	(35,305)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,713)	(36,385)	(5,672)	27,279	(34,683)	(61,962)
CASH, JANUARY 1	(61,962)	(61,962)	0	(27,279)	(27,279)	0
CASH, DECEMBER 31	(92,675)	(98,347)	(5,672)	0	(61,962)	(61,962)
<u>PEACE OFFICERS STANDARDS AND TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,407	1,387	(20)	1,800	1,380	(420)
Total Receipts	1,407	1,387	(20)	1,800	1,380	(420)
DISBURSEMENTS						
Training	5,200	807	4,393	6,664	2,451	4,213
Total Disbursements	5,200	807	4,393	6,664	2,451	4,213
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,793)	580	4,373	(4,864)	(1,071)	3,793
CASH, JANUARY 1	3,793	3,793	0	4,864	4,864	0
CASH, DECEMBER 31	0	4,373	4,373	0	3,793	3,793
<u>LAW ENFORCEMENT SUPPORT (CANINE) FUND</u>						
RECEIPTS						
Donations	0	0	0	1,500	0	(1,500)
Total Receipts	0	0	0	1,500	0	(1,500)
DISBURSEMENTS						
Sheriff	2,982	0	2,982	4,482	0	4,482
Total Disbursements	2,982	0	2,982	4,482	0	4,482
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,982)	0	2,982	(2,982)	0	2,982
CASH, JANUARY 1	2,982	2,982	0	2,982	2,982	0
CASH, DECEMBER 31	0	2,982	2,982	0	2,982	2,982

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CLARK COUNTY YOUTH FUND</u>						
RECEIPTS						
Charges for services	25,000	20,023	(4,977)	33,000	21,356	(11,644)
Total Receipts	25,000	20,023	(4,977)	33,000	21,356	(11,644)
DISBURSEMENTS						
Youth organizations	25,878	16,970	8,908	36,704	24,117	12,587
Other	0	0	0	0	65	(65)
Total Disbursements	25,878	16,970	8,908	36,704	24,182	12,522
RECEIPTS OVER (UNDER) DISBURSEMENTS	(878)	3,053	3,931	(3,704)	(2,826)	878
CASH, JANUARY 1	878	878	0	3,704	3,704	0
CASH, DECEMBER 31	0	3,931	3,931	0	878	878
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	9,500	9,497	(3)	9,500	0	(9,500)
Total Receipts	9,500	9,497	(3)	9,500	0	(9,500)
DISBURSEMENTS						
NEMO Regional Planning	3,050	4,050	(1,000)	3,050	0	3,050
Steel and concrete	6,450	6,453	(3)	6,450	0	6,450
Other	1,006	0	1,006	1,006	0	1,006
Total Disbursements	10,506	10,503	3	10,506	0	10,506
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,006)	(1,006)	0	(1,006)	0	1,006
CASH, JANUARY 1	1,006	1,006	0	1,006	1,006	0
CASH, DECEMBER 31	0	0	0	0	1,006	1,006
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	3,800	3,283	(517)	3,600	3,651	51
Other	4,562	336	(4,226)	1,000	1,638	638
Total Receipts	8,362	3,619	(4,743)	4,600	5,289	689
DISBURSEMENTS						
Sheriff	11,400	5,334	6,066	4,600	2,251	2,349
Total Disbursements	11,400	5,334	6,066	4,600	2,251	2,349
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,038)	(1,715)	1,323	0	3,038	3,038
CASH, JANUARY 1	3,038	3,038	0	0	0	0
CASH, DECEMBER 31	0	1,323	1,323	0	3,038	3,038

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Charges for services	2,000	1,476	(524)	1,500	834	(666)
Interest	45	30	(15)	0	26	26
Total Receipts	2,045	1,506	(539)	1,500	860	(640)
DISBURSEMENTS						
County Clerk	4,252	1,131	3,121	3,941	1,094	2,847
Total Disbursements	4,252	1,131	3,121	3,941	1,094	2,847
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,207)	375	2,582	(2,441)	(234)	2,207
CASH, JANUARY 1	2,207	2,207	0	2,441	2,441	0
CASH, DECEMBER 31	0	2,582	2,582	0	2,207	2,207
<u>DRUG COURT FUND</u>						
RECEIPTS						
Intergovernmental	195,600	68,605	(126,995)	149,417	115,106	(34,311)
Charges for services	10,000	10,057	57	10,000	5,925	(4,075)
Other	500	600	100	0	500	500
Total Receipts	206,100	79,262	(126,838)	159,417	121,531	(37,886)
DISBURSEMENTS						
Salaries and fringe benefit:	43,000	41,711	1,289	42,000	40,237	1,763
Travel	8,750	577	8,173	9,000	3,234	5,766
Equipment and supplies	9,200	1,861	7,339	22,750	9,457	13,293
Drug testing	18,000	1,016	16,984	18,500	12,245	6,255
Therapy and assessment:	50,000	24,660	25,340	60,000	48,761	11,239
Evaluator	6,500	1,157	5,343	17,000	7,273	9,727
Total Disbursements	135,450	70,982	64,468	169,250	121,207	48,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	70,650	8,280	(62,370)	(9,833)	324	10,157
CASH, JANUARY 1	10,157	10,157	0	9,833	9,833	0
CASH, DECEMBER 31	80,807	18,437	(62,370)	0	10,157	10,157
<u>RECORDER AUTOMATIC FUND</u>						
RECEIPTS						
Charges for services	2,200	3,396	1,196	2,500	2,103	(397)
Total Receipts	2,200	3,396	1,196	2,500	2,103	(397)
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,892	2,340	552	7,763	6,674	1,089
Total Disbursements	2,892	2,340	552	7,763	6,674	1,089
RECEIPTS OVER (UNDER) DISBURSEMENTS	(692)	1,056	1,748	(5,263)	(4,571)	692
CASH, JANUARY 1	692	692	0	5,263	5,263	0
CASH, DECEMBER 31	0	1,748	1,748	0	692	692

Exhibit B

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HELP AMERICA VOTE ACT FUND</u>						
RECEIPTS						
Intergovernmental	119,000	118,875	(125)	0	6,323	6,323
Interest	200	219	19	200	166	(34)
Total Receipts	119,200	119,094	(106)	200	6,489	6,289
DISBURSEMENTS						
Equipment purchases	133,144	119,297	13,847	15,217	7,385	7,832
Training	0	0	0	0	177	(177)
Other	0	4,399	(4,399)	0	0	0
Total Disbursements	133,144	123,696	9,448	15,217	7,562	7,655
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,944)	(4,602)	9,342	(15,017)	(1,073)	13,944
CASH, JANUARY 1	13,944	13,944	0	15,017	15,017	0
CASH, DECEMBER 31	0	9,342	9,342	0	13,944	13,944
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	7,000	7,457	457	7,648	6,891	(757)
Interest	100	185	85	52	90	38
Total Receipts	7,100	7,642	542	7,700	6,981	(719)
DISBURSEMENTS						
County Collector	18,439	9,055	9,384	16,235	4,077	12,158
Total Disbursements	18,439	9,055	9,384	16,235	4,077	12,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,339)	(1,413)	9,926	(8,535)	2,904	11,439
CASH, JANUARY 1	11,439	11,439	0	8,535	8,535	0
CASH, DECEMBER 31	100	10,026	9,926	0	11,439	11,439
<u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	7,776	7,776	0			
Transfers in	864	864	0			
Total Receipts	8,640	8,640	0			
DISBURSEMENTS						
Equipment purchases	8,640	8,640	0			
Total Disbursements	8,640	8,640	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	\$ 0	0	0			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

CLARK COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Clark County, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2006 and 2005
Associate Circuit Division Interest Fund	2006 and 2005
Sheriff Explorers Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fund	2006 and 2005
Cemetery Trust Fund	2006 and 2005
Revere Fire Department Grant Fund	2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	2006
Prosecuting Attorney Bad Check Fund	2006
½ Cent Sales Tax- Jail Operations Fund	2006 and 2005

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the ½ Cent Sales Tax- Jail Operations Fund for the year ended December 31, 2006.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Cemetery Trust Fund	2006 and 2005
Law Library Fund	2006 and 2005
Associate Circuit Division Interest Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fund	2006 and 2005
Collector Tax Maintenance Fund	2006 and 2005
Sheriff Explorers Fund	2006 and 2005
Revere Fire Department Grant Fund	2005
Recorder Fund	2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Clark County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Subsequent Event

In 2007, the county's legal counsel indicated a claim involving a sex discrimination suit against the county was settled for \$25,000; two-thirds of the amount was paid by the county and one-third was paid by the county's liability insurance carrier.

Supplementary Schedule

Schedule

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State' Program	2002-PF-27 2004-PF-06	\$ 10,503 0	0 41,514
			10,503	41,514
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.585	Drug Court Discretionary Grant Program	2002-DC-BX-0022	70,982	121,207
16.710	Public Safety Partnership and Community Policing Grant	2002SHWX0191	34,965	60,034
Passed through:				
State Department of Public Safety				
16.588	Violence Against Women Formula Grant	2004-VAWA-0058 2003-VAWA-0049	47,628 0	0 46,976
			47,628	46,976
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2005-LBGJ-019	7,776	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	868	1,391
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-023(18) BRO-023(19) BRO-023(20)	0 28,245 20,150	158,381 417,647 25,640
	Program Total		48,395	601,668
20.604	Safety Incentive Grants for Use of Seatbelt	GAC035 STEP	593	0
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	1,897	2,790
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Secretary of State				
39.011	Election Reform Payment	HAVA2002FED	3,814	783

Schedule

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
ELECTIONS ASSISTANCE COMMISSION				
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	119,882	6,779
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	0	18,040
	Total Expenditures of Federal Award:		\$ <u>405,434</u>	<u>989,672</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

CLARK COUNTY
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Clark County.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Because Clark County expended no noncash awards for the years ended December 31, 2006 and 2005, the schedule includes expenditures of cash awards only.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$41,514 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Clark County, Missouri

Compliance

We have audited the compliance of Clark County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Clark County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005.

Internal Control Over Compliance

The management of Clark County, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Clark County, federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 30, 2008

Schedule

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major program:

- Material weakness identified? yes x no
- Significant deficiency identified that is not considered to be a material weakness? yes x none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes x no

Identification of major program:

CFDA or
Other Identifying

Number
20.205

Program Title

Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes

___x___ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CLARK COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Because Clark County did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CLARK COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CLARK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 30, 2008. We also have audited the compliance of Clark County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 30, 2008.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Clark County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial

reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Clark County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1.	Financial Condition
-----------	----------------------------

The General Revenue Fund and the ½ Cent Sales Tax-Jail Operations Fund remain in poor financial condition. The following table reflects the ending cash balances of these funds over the last five years:

		Ending Cash Balance, Year Ended December 31,				
		2007	2006	2005	2004	2003
General Revenue						
Fund	\$	90,260	(20,028)	(45,817)	(1,899)	2,268
½ Cent Sales Tax-Jail						
Operations Fund		(80,770)	(98,347)	(61,962)	(27,279)	0

While receipts have generally increased, the county's spending has also increased. Spending has been greater than receipts due in part to settling two lawsuits, one in 2005 and the other in 2007, totaling approximately \$40,000 involving former Sheriff's Department deputies. The Sheriff's Department in the past received numerous grants to assist in funding operations; however, as the grants ended, operations did not decrease in the same manner. Also, raises were granted to elected officials beginning in 2003.

The county attempted to pass a ½ cent sales tax increase for the General Revenue Fund in 2005 and 2006. These proposed sales tax increases, while not approved by the voters, would have generated approximately \$220,000 to \$225,000 of additional revenue per year.

Prior to 2007, the Sheriff's Department operations were funded by the General Revenue Fund and the ½ Cent Sales Tax-Jail Operations Fund. In 2007, all Sheriff's Department operations were funded by the renamed ½ Cent Sales Tax-Jail Operations/Law Enforcement Fund; however the General Revenue Fund still has to subsidize this fund with annual transfers to cover increasing costs (\$150,000 in 2007 and \$200,000 is estimated for 2008).

The County Commission indicated they expect the ½ Cent Sales Tax-Jail Operations Fund to have a positive cash balance within three years by reducing expenditures. One way the commission has done this is to reduce the number of Sheriff's deputies from nine to three over the past several years. The 2008 budget estimates a negative cash balance of \$(9,745) for this fund; however, this increase appears to be mainly due to increased revenue expectations (including an additional \$50,000 from the General Revenue Fund). In 2007, the county began purchasing meals for inmates instead of preparing them at the jail in an attempt to reduce costs; however, the county could not provide documentation showing what kind of cost savings was expected (see MAR 8).

As noted in MAR 3, the county's budgetary practices are in need of improvement. Disbursements exceeded the budget in the General Revenue Fund in 2006 and in the ½ Cent Sales Tax-Jail Operations Fund in 2006 and 2005. While the County Commission has held steady or reduced disbursements in some areas, those changes have generally not kept pace with the changes in related receipts and have been offset somewhat by increased disbursements in other areas. The county continues to budget the General Revenue Fund down to a zero cash balance and consistently prepares a deficit budget for the 1/2 Cent Sales Tax Jail Operations Fund (see MAR 3).

Various restricted special revenue funds administered by elected officials have accumulated balances significantly in excess of historical actual disbursements. Consideration should be given to working with officials to use these monies to help fund respective official's expenses currently funded by the General Revenue Fund, within restrictions set forth by state law.

In order to be prepared for emergencies and make some needed capital improvements to county buildings, it is essential that the County Commission address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take necessary steps to improve the financial condition of the General Revenue Fund and the ½ Cent Sales Tax-Jail Operations/Law Enforcement Fund. The County Commission should perform long term planning and take advantage of opportunities to maximize revenues and offset costs as allowed by state law.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

We have been monitoring the financial condition closely and will continue to monitor and take steps to improve the financial condition.

2. County Procedures

The county's procedures for tax additions and abatements, annual published financial statements, and recording actions taken during commission meetings are in need of improvement. In addition, the County Treasurer does not properly follow up on old outstanding checks, many county officials do not file monthly fee reports with the County Clerk, the Assessor has not obtained bond coverage, and the county has not adopted a policy regarding access to public records.

- A. Controls over property tax additions and abatements are not adequate. The County Collector makes changes to the tax books after receiving information from the County Assessor for additions and abatements occurring throughout the year. The County Collector provides annual totals of abatements and additions to the County Clerk through a court order; however, neither the County Clerk nor the County Commission sign the court order showing approval of the abatements and additions.

Section 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

- B. The annual published financial statements of the county did not include the financial activity of many of the county's funds. Section 50.800, RSMo, requires published financial statements to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statement to adequately inform the citizens of the county's financial activity, all monies received and disbursed by the county and all other required information should be included in the level of detail required by law. As noted in MAR finding number 3, most of these funds are also not budgeted.
- C. The commission meeting minutes do not always include sufficient detail of matters discussed or actions taken. Bid amounts are not always listed, which creates uncertainty as to whether the lowest and best bid was accepted. Also, the minutes did not document that a sole source provider was used for road stone and why bids were not solicited when the courthouse boiler had to be repaired in 2005. The county disbursed \$34,667 for the road stone and \$10,835 for the boiler repairs. In addition, it appears that many motions passed are not included in the minutes.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

- D. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the County Treasurer's bank account had 29 outstanding checks totaling \$1,579 that were older than one year. These old outstanding checks create additional and unnecessary recordkeeping and responsibilities. In addition, as of December 2007, the County Treasurer had \$4,408 of unclaimed monies in the County's Unclaimed Fees Fund that has not been investigated or turned over to the state. The unclaimed monies are old outstanding checks transmitted in July and August 2006 from the Associate Court.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

- E. The County Clerk indicated that only the Circuit Clerk/Ex Officio Recorder of Deeds and the County Treasurer file monthly reports of fees collected with the County Commission. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.
- F. The Assessor has not obtained bond coverage as required by state law. The Assessor indicated she did not believe this bond was necessary because of the small amount of monies collected. Section 53.040, RSMo, requires bond coverage of at least \$1,000 for the Assessor. In addition, various county employees who handle money are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees and officials handling monies should be adequately bonded.
- G. The county does not have a formal policy regarding public access to records. The County Clerk indicated she charges 25 cents per page for copies of county records; however, the county has no documentation showing how this rate complies with state law. A formal policy regarding access and obtaining copies of county records would establish guidelines for the county to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making county records available to the public. Section 610.026, RSMo, indicates that the fees for copying public records shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body.

WE RECOMMEND the County Commission:

- A. Develop procedures to ensure any changes to the property tax system are properly approved and monitored.
- B. Ensure all required financial information for all county funds is properly reported in the published financial statements.
- C. Ensure the minutes list bid details when approving bids, including sole source providers and emergency situations, document any discussion, and show all motions in detail.
- D. And County Treasurer establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- E. Require all county officials to file monthly reports of fees as required by state law.
- F. Ensure adequate bond coverage is obtained for all county employees and officials with access to monies.
- G. Develop a formal policy regarding procedures to obtain public access to, or copies of public county records and maintain documentation to support the fees charged.

AUDITEE'S RESPONSE

The County Commission, County Clerk and Treasurer indicated:

- A. *This recommendation has already been implemented.*
- B. *We will attempt to implement this recommendation.*
- C,D
&F. *These recommendations will be implemented.*
- E. *The Treasurer will request these reports from the various officials.*
- G. *We will try to work on this recommendation.*

3. Budgetary Practices

The county's budgetary practices are in need of improvement. The following problems were noted:

- A. Actual disbursements exceeded budgeted amounts for General Revenue in 2006. Actual disbursements exceeded budgeted amounts for the ½ Cent Sales Tax-Jail Operations Fund in 2006 and 2005, with the budgeted amount being exceeded by more than 10 percent in 2005. The exceeded amounts for these funds are as follows:

<u>Fund</u>	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
General Revenue	\$ 13,877	N/A
1/2 Cent Sales Tax-Jail Operations	1,094	35,305

The Deputy County Clerk monitors the budgets throughout the year by comparing the budget to actual expenditures on a monthly basis. During the second half of each year, the County Commission is given a monthly budget report showing the budget to actual expenditures and the percentage of the budgeted expenditures already used.

The commission will then discuss any large variances with the appropriate county officials. No budget amendments were prepared when budgeted amounts were exceeded. The only budget amendment approved during the audit period was to account for two grants received in 2006 totaling \$4,104. The procedures in place are not sufficient to effectively manage the county budget.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

- B. The commission budgeted a deficit fund balance of (\$9,745), (\$34,327), and (\$92,675) for the ½ Cent Sales Tax-Jail Operations Fund for the years ended December 31, 2008, 2007, and 2006, respectively. In addition, the approved budget documents did not adequately project the anticipated balances of most funds for the two years ended December 31, 2006. The budgets indicate a zero balance for most funds at year end; however, several of these funds often end with a significant balance.

Counties are not authorized to have deficit fund balances. Sections 50.610 and 50.740, RSMo, require balanced budgets, and Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting. To be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, expenditures and ending cash balance. The practice of routinely budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

- C. The County Commission and various elected officials did not ensure budgets were prepared for seven funds in 2006 and eight funds in 2005. Receipts of approximately \$19,500 and \$57,400 and disbursements of approximately \$15,900 and \$54,300 were not budgeted for the years 2006 and 2005, respectively. The officials indicated they did not know a budget needed to be prepared. The county has not complied with statutory provisions and cannot effectively monitor disbursements or fund balances without a comprehensive budget document.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's Office. By preparing or obtaining budgets for all county funds, the County Commission and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

- D. Administrative service fee transfers from the Special Road and Bridge Fund to the General Revenue Fund were excessive. During the years ended December 31, 2006 and 2005, the county made administrative service fee transfers of \$74,996 and \$87,504, respectively from the Special Road and Bridge Fund to the General Revenue Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the Special Road and Bridge Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the Special Road and Bridge Fund, and shall not exceed five percent (three percent prior to August 28, 2004) of the Special Road Bridge Fund budget.

Although administrative service fee transfers were equal to five percent of Special Road and Bridge Fund budgeted disbursements, the transfers exceeded five percent of actual disbursements for the two years ended December 31, 2006 and 2005, by a total of \$32,700. This situation resulted from unreasonable budget estimates for the Special Road and Bridge Fund.

WE RECOMMEND the County Commission:

- A. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.

- B. Discontinue deficit budgeting and ensure a more reasonable estimate of each fund's year end balance is presented on the budget document.
- C. Ensure an annual budget is prepared for all county funds.
- D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *Budget amendments are for unexpected expenses, not just because additional monies are needed. We are trying to work on keeping within the budget.*
- B. *It is more efficient to budget to spend all of the funds to avoid budget amendments. We are working to get the 1/2 Cent Sales Tax- Jail Operation Fund under control and will then be able to cease deficit budgeting.*
- C. *We will try to obtain budgets from the officials.*
- D. *We will try to establish a more reasonable budget in the future.*

4.	Payroll and Personnel Procedures
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The County Clerk does not maintain centralized time sheets and leave records for employees of the Sheriff's Department. Some time sheets are not signed by employees and their supervisors. Also, the county does not have a written policy for overtime and compensatory time.

- A. Centralized records of time sheets, vacation leave, sick leave or compensatory time earned, taken, or accumulated by employees of the Sheriff's Department are not maintained by the County Clerk. The Sheriff maintains these records for his department and sends the County Clerk a report of time worked for all employees.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

A similar condition was noted in our prior audit report.

- B. Some time sheets are not signed by employees and their supervisors. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.
- C. The county has not adopted an official personnel manual which details policies and procedures for county employees. Instead, many of the county policies are included in the county commission meeting minutes when approved and according to the commission, copies of the minutes containing these policies are given to all county employees. However, the county does not have a written policy for overtime and compensatory time. The FLSA requires the county to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week. In 2005, the county paid \$23,000 to a former Sheriff's deputy to settle a lawsuit over disputed compensatory time.

Failure to adopt an official personnel manual increases the likelihood of misunderstandings or unequal treatment of employees. The County Commission should have a written policy to ensure compliance with the FLSA, including a provision that overtime or compensatory time requires prior approval of the employee's supervisor. The FLSA also contains different overtime requirements for law enforcement personnel, so the county should consider adopting a separate overtime policy for sheriff's deputies.

A similar condition was noted in our prior audit report.

WE RECOMMEND the County Commission:

- A. Ensure the County Clerk maintains centralized time sheet and leave records for all county employees.
- B. Ensure all time sheets are signed by both the employee and the employee's supervisor.
- C. Develop a personnel policies and procedures manual which includes job descriptions and ensure it is distributed to all employees and establish a written overtime and compensatory time policy that is in compliance with the FLSA.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *We have requested these records, however the Sheriff indicated he was satisfied with the current procedures.*

B. *This recommendation has been implemented.*

C. *We will look into this recommendation.*

5. Disbursements

The county did not always enter into written agreements, including a depository agreement with its local depository bank. In addition, uniform allowances for Sheriff's Department employees were not included as compensation on their W-2 forms and Form 1099-MISC was not completed for individuals that provided services for the county.

- A. The county does not have a current written depository agreement with its local depository bank. The most recent depository agreement was dated 2001. A written depository agreement helps both the bank and the county understand and comply with the requirements of any banking arrangement. In addition the county did not enter into a written agreement for mapping services totaling \$2,483 and \$6,306 for 2006 and 2005, respectively.

Section 110.130, RSMo, requires the county to enter into agreements with the banks selected as depositories at least every four years. The depository agreement provisions should include, but not be limited to, bank fees for check printing, checking account services, interest charges for borrowed funds, and interest rates for invested funds.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- B. Annual uniform allowances are paid to Sheriff's Department deputies. These allowances totaled \$2,875 and \$3,200 for 2006 and 2005, respectively. Employees are not required to submit invoices or itemized expense reports to support the allowance, nor are uniform allowances reported on W-2 forms.

Internal Revenue Service (IRS) Regulations 1.62(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for by the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income to the employees. Alternatively, the County Commission could require employees to submit documentation of actual uniform expenses as they are incurred.

- C. The County Commission and Drug Court personnel do not have procedures in place to identify payments which require Forms 1099-MISC to be filed with the IRS. The following table lists the services and amounts paid to individuals for which a Form 1099-MISC should have been completed and filed with the IRS:

<u>Service</u>		<u>Year Ended December 31,</u>	
		<u>2006</u>	<u>2005</u>
Guardian Ad Litem attorney	\$	5,283	10,487
Mapping		2,483	6,306
Psychological (for Drug Court)		3,300	4,200

Section 6041 through 6051 of the Internal Revenue Code require that nonwage payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-MISC.

WE RECOMMEND the County Commission:

- A. Enter into written contracts in compliance with state law and ensure that contracts contain adequate details and protections for the county.
- B. Require the Sheriff's Department employees to submit reports of uniform expenses or report these allowances as other income on the employees' W-2 forms.
- C. And Associate Circuit Judge establish a procedure to evaluate payments and identify those requiring Form 1999-MISC to be filed with the IRS.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *We will implement this recommendation.*
- B. *We will begin putting these on the W-2's.*
- C. *We will try to do better with this recommendation.*

The Associate Circuit Judge indicated:

- C. *We have implemented the 1099 process for any future contracts. In the future, it should not be necessary for this because our funds are obtained from the state drug court commission and all invoices are processed with OSCA through Certificate of Compliances.*

6.**Capital Assets**

Records and procedures to account for county and Drug Court property are not adequate and no written policies regarding the accounting and use of assets have been established. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The County Clerk maintains a listing of Road and Bridge Department vehicles and equipment; however, this listing is primarily for insurance purposes, does not include all personal property costing \$1,000 or more, and does not include all necessary information. The Drug Court does not maintain a listing of assets. Other than the Road and Bridge Department, county offices are not performing and submitting annual physical inventory reports. Tags identifying property items as county or drug court property are not being assigned and affixed to items.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. An explanation of material changes from the previous inventory is to be attached to department inventory reports.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Proper capital asset records should include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. These records should be updated for any property additions and dispositions as they occur. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

Similar conditions were noted in our previous report.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official, court, and the County Clerk. In addition, property tags should be affixed to capital assets.

AUDITEE'S RESPONSE

The County Commission indicated:

We will try to implement this recommendation.

Computer systems and data are vulnerable to unauthorized use, modification or destruction. Password, backup procedures, and computer security systems are not adequate in some county offices.

- A. Access to computer systems and data is not adequately restricted to only authorized users. The County Treasurer and the County Collector do not have user IDs or passwords in place. Although the County Clerk and the Assessor require the use of passwords to access various programs, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs. Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

- B. The County Clerk and County Treasurer do not prepare backups of financial and other data to prevent loss of information and to ensure that all essential information and computer systems can be recovered following a disaster or computer failure.

Backing up data files and systems is critical for system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes are performed and how important those changes are. The County Clerk and the County Treasurer should determine what backup schedule is appropriate. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to restore data to its original condition prior to the disruption. Storing backups offsite provides another level of assurance of access to data. The County Clerk, County Treasurer, and County Commission should determine how often backups should be stored offsite.

- C. A security system is not in place in the Assessor's office to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on the system, and if successful, have unrestricted access to programs and data files. In addition, the County Clerk's, the County Treasurer's, and the County Collector's computers do not shutdown after a certain period of inactivity.

To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries and shutdown the system after a certain period of inactivity. Such a system should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

WE RECOMMEND the County Commission:

- A. Work with the County Clerk, the County Treasurer, the County Collector, and the Assessor to require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Work with the County Clerk and the County Treasurer to ensure data is backed up on a regular basis, ensure data is stored at a secure off-site location, and develop appropriate backup and restoration procedures.
- C. Work with the Assessor to implement a security system to detect and report incorrect log-on attempts after a certain number of tries and work with the County Clerk, the County Treasurer, and the County Collector to require their systems to shutdown after a certain period of inactivity.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

A&C. We will look into these recommendations.

B. We have begun looking into this recommendation.

The County Collector indicated:

A&C. These recommendations have already been implemented.

The Assessor indicated:

A. I have already implemented this recommendation.

C. I will discuss this recommendation with our computer programmers.

8. Sheriff Accounting Controls and Procedures
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Cash custody and recordkeeping duties have not been adequately segregated. The civil process log is not updated to show when fees are received. Accounting records are not reconciled with the bank account balance monthly and procedures for handling old outstanding checks are not in accordance with state law. In addition, board bill procedures

are not adequate and the Sheriff does not have written contracts with the surrounding counties for boarding prisoners. A cost analysis of the county preparing inmate meals versus outsourcing has never been performed. Records and monitoring procedures for county vehicles used by Sheriff's deputies are not sufficient. Also, fees withheld from a partition sale were not calculated in accordance with state laws.

The Sheriff's Department received approximately \$140,300 and \$112,700 from summons fees, bonds, gun permits, and other general receipts during 2006 and 2005, respectively.

- A. Cash custody and recordkeeping duties have not been adequately segregated. The office clerk receipts, deposits, prepares bank reconciliations, and writes checks. The Sheriff does not review any of the financial records. In addition, the numerical sequences of receipt slips and checks are not accounted for properly.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented. Without accounting for prenumbered receipt slips and checks, the Sheriff's Department cannot ensure all monies collected are ultimately recorded, deposited, and disbursed.

- B. A log for the serving of civil papers is maintained, but the log is not updated to show when payment of the fee is received. The civil process log lists the case number, the parties involved in the case, the party to be served, the amount of fees, the date papers were served, and the person who performed the paper service. A review of the civil process log for papers served from September 2006 through December 2006 showed 11 out of 13 entries, totaling \$214 were not marked paid. The entries should be marked paid as fees are received and the log reconciled to deposits to ensure all receipts are being deposited and not misappropriated.

- C. A one write ledger is maintained for fees collected, however, it is not compared to the reconciled bank account balance when the bank reconciliation is performed each month. The reconciled bank balance at December 31, 2006, was \$958. In addition, the clerk follows up on outstanding checks every six months. However, if the individual cannot be located, the check is voided and the amount added back into the checking account instead of turning the amounts over to unclaimed fees.

Reconciliation of accounting records to the balance of the bank account is necessary to ensure sufficient cash is available to pay all liabilities. The Sheriff's Department should then investigate any differences noted and take appropriate action. In addition, if the payees of old outstanding checks cannot be located, the checks should be voided and amounts remaining unclaimed should be disposed of in accordance with state law.

D. The Sheriff disbursed \$13,241 and \$26,475 in 2006 and 2005, respectively, to the County Treasurer from the collection of board bills. The Sheriff's Department houses inmates for other counties and bills them for these services. The following concerns were noted:

1. Board bill procedures are not adequate. When the Sheriff's Department bills an entity, a copy of the bill is put in a file. When payment is received, a copy of the receipt slip issued for the payment and the check received is placed in the file with the copy of the board bill. However, receipts are not matched with the bills in a timely manner, so the department does not know how much is owed to the Sheriff at any given time or how long some bills have gone unpaid. In addition, the Sheriff's Department does not bill other entities on a monthly basis for holding their inmates. The entities are billed when the inmate is released from jail, which could be in excess of a year. Considering the financial condition of the county, it is imperative that the Sheriff's Department take all steps necessary to collect board bills owed to the department in a timely manner and bill entities monthly to ensure more timely matching of revenues to expenses.

Formal reconciliations of prisoner board bills and payments received should be performed to ensure payments are received on a timely basis and second billings sent out if necessary. In addition, entities should be billed on a monthly basis.

2. The Sheriff has verbal agreements with Schuyler and Scotland counties for the boarding of inmates at the amount of \$35 per day. Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements should be prepared with all political subdivisions for services provided. The agreements should be updated periodically, clearly specify the arrangements between parties for the services provided, and be approved by the County Commission.

E. Prior to 2008, the county employed a cook to prepare meals for inmates. A decision was made to outsource inmate meals starting in 2008; however, a cost analysis comparing the cost of the county preparing the inmate meals versus outsourcing the meals has never been performed. In 2007, the county spent approximately \$43,200 on meals and the cook's salary. For 2008, the county has budgeted approximately \$97,800 for meals. Without a cost analysis, the county cannot ensure the costs of providing services are recovered or if the services are being provided in the most economical way.

F. Records and monitoring procedures for county vehicles used by Sheriff's deputies are not sufficient. The county owns seven vehicles utilized by the Sheriff's Department for county duties. Fuel is usually purchased at a local station and charged to the county, but petty cash is used for out-of-town trips. The Sheriff's

Department maintains mileage and fuel logs, which are entered into a computer system, but these logs are not compared to the fuel purchases, nor are they ever reviewed. Also, the fuel purchases from the petty cash fund and mileage from out-of-town trips are not entered in the computer system. The county spent approximately \$20,200 and \$21,700 in 2006 and 2005, respectively, on fuel for the Sheriff's Department.

Effective monitoring procedures include reviews of usage and fuel logs and comparison of log information to fuel purchases and maintenance charges. In addition, all fuel purchases from the petty cash fund and mileage from out-of-town trips should be properly recorded. Failure to account for fuel purchases could result in the loss, theft or misuse of city assets going undetected.

- G. The Sheriff withheld \$1,285 in accountable fees from a partition sale. The Sheriff indicated that he had relied on the individual's attorney to calculate the fees. Based on our calculation, the fees in this case should have been \$195. Section 528.610, RSMo, allows commissions of up to 2 percent on the first \$1,000 of the sales amount, 1 percent on all sums over \$1,000 but less than \$5,000, and ½ percent on all sums equal to or greater than \$5,000. This property sold for \$32,000, thus it appears the fee should have been \$195 ($\$1,000 \times 2\% + \$4,000 \times 1\% + \$27,000 \times 1/2\%$). There was no documentation regarding the calculation of the fees in the case file.

To ensure all accountable fees are properly collected, the Sheriff's Department should calculate the Sheriff's fees on partition sales, retain supporting documentation, and ensure the proper fees are collected and distributed.

Conditions similar to A and D.1 were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented. In addition, account for the numerical sequence of receipt slips and checks.
 - B. Ensure that the civil process log is updated each time payment for fees is received and reconcile the log to deposits.
 - C. Reconcile the accounting records to the account balance monthly, and investigate any differences. In addition, if payees of old outstanding checks cannot be located, the checks should be voided and disposed of in accordance with state law.
 - D.1. Bill entities on a monthly basis for housing inmates and compare board billings and the subsequent payments received on a regular basis to ensure payments are received timely and rebill any unpaid amounts.
2. And the County Commission obtain written contracts for all services.

- E. Perform a cost analysis to determine the most cost effective method of providing inmate meals.
- F. Periodically review fuel logs and reconcile them to fuel purchases. In addition, enter the cash fuel purchases and mileage for these vehicles into the computer system.
- G. Calculate all partition sale fees in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff indicated:

*A,B,
D1&F. These recommendations have already been implemented.*

C. We will implement this recommendation.

D.2. I have attempted to get written contracts with those counties.

E. This was the commission's decision.

G. I relied on an attorney's calculation for this sale, I will calculate this myself from now on.

The County Commission indicated:

D. We will leave this to the Sheriff.

E. We now realize that we did not do enough of an analysis on this contract; however, our goal was not simply to save money but to gain more control over this area and the number of people who eat there. The number you have presented for 2008 was simply our estimate of the cost if the jail operated at full capacity at all times, which does not always happen. Currently, we feel that the costs this year are comparable to last year. We will continue to monitor the costs of this service compared to having someone prepare the food at the jail.

9.	Inmate Commissary Accounting Controls and Procedures
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The Sheriff's Department procedures for the inmate commissary are in need of improvement. Approximately \$200 a month is transferred from inmate funds for commissary purchases.

The Sheriff's Department maintains an envelope for each inmate with their funds in cash. Records of the receipts, disbursements, and balance are maintained by inmate. When monies are received on the behalf of an inmate, the amount received is posted to the inmate's account, and the cash is placed in that inmate's envelope. When an inmate makes a purchase from the commissary, a commissary order form is signed, the appropriate disbursement is

posted to their account, and the monies are removed from their envelope and placed in the commissary money bag. The inmate then receives their order, and monies in the commissary money bag are used to restock the commissary inventory.

The Sheriff keeps the commissary profits in a locked cabinet in the jailer's office. These profits are used to purchase inventory items and items for the jail. A ledger is maintained to track the profits and purchases. As of December 31, 2007, the Sheriff had approximately \$465 on hand.

- The Sheriff's Department does not maintain a bank account for inmate funds and cash is disbursed for commissary purchases.
- Prenumbered receipt slips are not issued for inmate monies received.
- The Sheriff maintains profits from the commissary fund outside the county treasury.
- Commissary order forms are not maintained. After the purchased items have been delivered to the inmate, the order forms are destroyed.
- Only the total transferred from the inmate's envelopes is recorded on the commissary ledger, not the amount per inmate. As a result, the transfers cannot be readily agreed to the inmate records.
- The Sheriff's Department does not periodically calculate the profit of items sold in the commissary to ensure the amounts received are reasonable.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, a bank account should be maintained for inmate monies and commissary profits, all receipts should be deposited intact on a timely basis, all disbursements should be made by check, and the account balance should be reconciled to the list of inmate balances and calculated profit monthly. The profits should then be transferred to the County Treasurer. To help ensure the accuracy of commissary account balances, procedures should be developed to ensure that order forms are maintained. In addition, prenumbered receipt slips should be issued for all monies received immediately upon receipt and the receipt slip numbers should be accounted for properly.

The selling price of all commissary items should be set at the same percentage over cost and the profit periodically compared to purchases to ensure the proper amount of profit is on hand. Any unusual fluctuations of profit should be investigated and any explanations should be documented to lessen the possibility of misuse, loss, or theft of commissary items going undetected.

WE RECOMMEND the Sheriff open and maintain a bank account for all inmate monies and ensure prenumbered receipt slips are issued for all inmate monies received and disbursements are made by check. The balance of the inmate account should be reconciled to the inmate records monthly and commissary profits should be transferred to the County

Treasurer. In addition, the selling price of all commissary items should be set at the same percentage above cost and profits should be periodically compared to purchases. Any unusual fluctuations should be investigated and explanations documented. Also, ensure commissary order forms are maintained for all purchases.

AUDITEE'S RESPONSE

The Sheriff indicated:

We will not turn over profit to the treasurer, but we will open a bank account for the Commissary profit. We will also look into opening a bank account for inmates monies. We have already started keeping order forms and we will implement all of the other recommendations.

10. Associate Court Accounting Controls and Procedures

The Associate Court's duties of receiving, recording, and depositing receipts are not adequately segregated. The numerical sequences of receipt slips and checks are not accounted for properly and manual receipt slips are not traced to the Justice Information System (JIS). Monies received are not always deposited in a timely manner. Bank reconciliations are not done on a timely basis. In addition, the Associate Circuit Court does not adequately follow-up on bonds posted by defendants who fail to make the required court appearances. Also, the court could not provide legal authority for the collection of community service fees from defendants ordered to perform community service.

The Associate Circuit Court processes monies for civil, criminal and probate cases, traffic tickets, and bonds. Receipts totaled approximately \$230,000 and \$300,000 for the years ended December 31, 2006 and 2005, respectively.

- A. The duties of receiving, recording, and depositing receipts are not adequately segregated. All employees collect monies, record transactions, prepare deposits, and disburse monies. There are no documented reviews of the employees' work by the Associate Circuit Clerk.

Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the employees' work should be performed and documented.

- B. The numerical sequence of receipt slips and checks are not accounted for properly. The JIS generates a prenumbered receipt slip or check each time a payment or disbursement is entered; however, no review is performed to account for the numerical sequences of these transactions. In addition, manual receipt slips are not traced to the JIS to ensure they were posted properly by someone independent of the receipt process. Periodically, when the JIS is down, manual receipt slips are issued

for monies collected and then posted by the same clerk to the JIS when the system is back online. No procedures are performed by the court to ensure that all manual receipt slips are posted to the JIS.

The receipt slip numbers and checks should be reviewed to ensure that all receipt slips and checks are accounted for adequately. In addition, without tracing the manual receipt slips to the JIS and accounting for prenumbered receipt slips and checks, the court cannot ensure all monies collected are ultimately recorded, deposited, and disbursed.

- C. Monies received are not always deposited in a timely manner. Monies are usually collected each business day, but deposits are normally made only two to five times per month. The average deposit for December 2006 and June 2005 was \$5,737 and \$7,214, respectively. One deposit in December 2006 included 15 days of receipts and a cash count performed on December 20, 2007, totaling \$5,690 included 13 days of receipts. Deposits should be made intact on a timely basis to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. Deposits should be more frequent if significant amounts of cash are collected.
- D. Bank reconciliations are not prepared on a timely basis. As of February 2008, the bank reconciliation for December 2006 had not been received by the Associate Circuit Court. The Office of State Court Administrator (OSCA) has been performing the bank reconciliations for the court since March 2002. The most recent bank reconciliation completed as of February 2008 was for July 2006. The July 2006 bank reconciliation included numerous reconciling items, totaling \$707, that had not been investigated and could not be explained by the court.

The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, although OSCA provides support to the various courts across the state, it is ultimately the Associate Circuit Court's responsibility to perform bank reconciliations timely and to ensure differences are resolved timely. Failure to resolve differences and reconciling items timely increases the risk that other errors or misstatements will not be detected on a timely basis.

- E. The Associate Circuit Court does not adequately follow-up on bonds posted by defendants who fail to make the required court appearances. During a review of 15 case files, four instances totaling \$1,196 were noted where a bond was not forfeited when the defendant failed to appear on the court date. As of July 31, 2006, the court was holding approximately \$26,300 in bonds in its bank account.

Section 544.665, RSMo, provides that failure to appear results in forfeiture of any security which was given or pledged for a person's release. Bond forfeiture monies are to be distributed to the state's school building revolving fund according to Section

166.131, RSMo. The court's bond forfeiture procedures need to be improved to ensure the timely distribution of bond proceeds.

- F. A fee ranging from \$50 to \$150 is collected on cases in which the defendant is ordered to perform community service. The fee is at the judge's discretion and used to pay for community service supervisors. The court collected approximately \$19,600 and \$25,300 in community service fees in 2006 and 2005, respectively. The judge cited Section 559.021, RSMo, for the collection of the community service fee; however, fees collected by order of that statute are to be placed in a county law enforcement restitution fund and spent in accordance with Section 50.565, RSMo. The court should again review this fee to determine whether legal authority exists for the court to collect the fee. If the matter is not resolved by clear legal authority, the court should consider ending the collection of the fee.

Conditions similar to A, C, and D were noted in our prior report.

WE RECOMMEND the Associate Circuit Judge:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Ensure the numerical sequence of receipt slips and checks are accounted for properly and develop procedures to ensure that manual receipts are posted to the JIS.
- C. Ensure all receipts are deposited intact on a timely basis.
- D. Ensure the accounting records are reconciled to the bank accounts on a timely basis. In addition, any differences and reconciling items identified should be resolved on a timely basis.
- E. Implement adequate procedures to forfeit bonds when appropriate.
- F. Determine whether clear legal authority exists to collect community service fees.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

- A. *The clerks have started reviewing each other's deposits to make sure that the actual cash and checks reconcile to the JIS generated reports. Also, the clerks are checking manual receipts carefully to see that all are recorded to JIS immediately.*
- B. *The numerical sequence of receipts is controlled completely and totally by the JIS computer program. The clerks do not have anything to do with that. But the clerks are looking at the JIS generated receipt reports to make sure the numbers are consecutive. All checks were*

accounted for during the course of the audit. All manual receipts were traced to the JIS system, as well.

- C. The clerks are making more timely deposits. It is difficult, but we think we have shown some improvement.*
- D. The bank reconciliations are being followed up on with OSCA. The Associate Clerk has requested OSCA's help repeatedly. The July 2006 bank reconciliation was off by less than \$1. There were negative adjustments of \$423 and positive adjustments of \$1,059.93. All adjustments were explained by the clerk. Within the next 30 days, a formal request will be made to OSCA to send an accounting specialist to Clark County to affect a permanent solution.*
- E. Bonds are followed up on defendants who have posted. If they do not appear on their court date, a warrant is issued. Bond forfeiture and judgment thereon is ordered upon application of the state.*
- F. The court does not collect community service fees except on old cases that were assessed by the court years prior to the request of the auditors not to assess these fees any longer. The only other cases that the court pays the community service fees on are ones where the defendant consents to the payment out of a posted bond. The community service fee is assessed by the judge depending upon the severity of the charge. For instance, DWI's are assessed 40 hours of work and the fee is \$1000. The judge sticks to the formula of \$2.50 per hour of work. The fund created by the county supports the salary of a supervisor, transportation and all tools necessary to perform the work. This program is modeled after a St. Louis County program that has operated over the last 30 years.*

11. Circuit Clerk Accounting Controls and Procedures

Accrued case costs are not actively monitored and pursued. Bank reconciliations are not prepared on a timely basis and records and monitoring procedures for open items listings are not sufficient. Also, the interest earned from the Circuit Clerk's general account is not transferred to the Circuit Clerk Interest Fund on a timely basis. Some invoices are not maintained for purchases made from the interest fund.

The Circuit Clerk's office processes monies for civil and criminal fees, fines and bonds. Receipts totaled approximately \$213,000 and \$243,000 for the years ended December 31, 2006 and 2005, respectively. In 2005, the office also received approximately \$1,139,000 from the Missouri Department of Transportation for the purchase of right-of-ways for a road construction project and disbursed it to the various landowners.

- A. The Circuit Clerk does not actively monitor or pursue collection of accrued case costs in a timely manner. Follow up procedures are performed twice a year on civil cases with outstanding costs. For criminal cases, a fee bill is sent to the individual after they are released from jail; however, no follow up procedures are performed.*

The Circuit Clerk indicated she notifies the judge of criminal cases with unpaid costs before the individuals go off probation. Of four cases reviewed, one case owed approximately \$6,800 in court costs as of January 2008; however, he was released from probation in February 2007. As of January 2, 2008, accrued case costs (court costs, court ordered restitution, and fines on criminal cases) totaled approximately \$1.2 million.

Various statutes including Sections 483.550, 488.020, and 546.870, RSMo, provide guidance on collecting accrued case costs. The court does not always use various options available to collect unpaid monies, including the state debt collection system, periodic rebillings, show cause orders, and requesting the Circuit Judge to issue warrants. Ineffective monitoring of cases with accrued costs and the failure to utilize available options in a timely manner can result in lost revenues to the county.

- B. Bank reconciliations are not prepared on a timely basis. The bank reconciliation for December 2006 was not received by the Circuit Clerk until June 2007. The Office of the State Court Administrator (OSCA) has been performing the bank reconciliations for the Circuit Court since the conversion to the JIS in September 2001. The December 2006, bank reconciliation included six reconciling items totaling \$1,066 which have not been investigated and resolved. One reconciling item of \$500 has been on bank reconciliations since August 2002.

The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition although the OSCA provides support to the various courts across the state, it is ultimately the Circuit Court's responsibility to perform bank reconciliations and follow-up on outstanding checks timely and to ensure differences are resolved timely. Failure to resolve differences and reconciling items timely increases the risk that other errors or misstatements will not be detected on a timely basis.

- C. Records and monitoring procedures for the monthly listings of open items are not sufficient as follows.
 - 1. The monthly listing of open items (liabilities) for December 2006 did not agree with the December 31, 2006, reconciled bank balance for the Circuit Clerk's JIS account. At December 31, 2006, the reconciled bank balance of the JIS account was \$51,828 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled \$52,758, indicating a potential shortage in the account of \$930. The Circuit Clerk could not explain this difference nor was the difference investigated.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for payment of liabilities. The Circuit Clerk should immediately work with OSCA to investigate and resolve the current shortage in the account.

2. The Circuit Clerk does not maintain copies of open items listings for all of her bank reconciliations. While the total open items is listed on the bank reconciliation, a detailed listing is not printed and retained. For example, the Circuit Clerk could not provide the December 31, 2006, open items listing upon request. The closest available listing was for December 28, 2006, which does not properly reconcile with the bank statement ending December 31, 2006. Proper recordkeeping and supporting documentation should be retained to provide an adequate audit trail and to adequately account for the monies in the JIS bank account.
3. The court does not adequately review the status of old open items. The December 28, 2006 open items listing included approximately 170 cases totaling approximately \$62,000. Some of these cases have not had activity for several years, including one case that was dismissed in 1982.

The failure to routinely review open items and prorate available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

D. The Circuit Clerk Interest Fund controls are in need of improvement as follows:

1. Interest earned from June 2006 through December 2006 on the JIS account totaling \$751 was not transferred to the interest fund and posted to the fund ledger until March 29, 2007. To adequately safeguard receipts and to reduce the risk of misuse of funds, receipts should be posted to the accounting records on a timely basis.
2. The Circuit Clerk does not maintain copies of all invoices for purchases made from her interest fund. Invoices could not be located for two purchases totaling \$167. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

Conditions similar to B and C were noted in our prior report.

WE RECOMMEND the Circuit Clerk:

- A. Follow up on criminal cases for individuals who are not on probation and consider signing up for the state debt collection agency. In addition, ensure the judge is notified by the court of all criminal cases with unpaid costs before the individuals are released from probation.
- B. Prepare bank reconciliations on a timely basis, and investigate and resolve all adjustments to the bank reconciliations in a timely manner.
- C.1. Reconcile open items to cash balances on a monthly basis and investigate any differences in a timely manner.
 - 2. Retain all accounting records related to all bank accounts.
 - 3. Routinely review open items and disburse or dispose of monies as appropriate.
- D.1. Post interest to the interest fund ledger on a timely basis.
 - 2. Maintain documentation of all interest fund purchases.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *Cases are being reviewed more frequently, and we are looking into using debt collection.*
- B. *We are working with OSCA to prepare these more timely.*
- C.1
&C.3. *These recommendations will be implemented.*
- C.2
&D.1. *These recommendations have already been implemented.*
- D.2. *We always maintain documentation for purchases. These invoices were misplaced.*

12. Prosecuting Attorney Donations

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring the defendants to make a “donation” to the Clark County Youth Fund or Dollars for Scholars Fund as a condition of reducing the charges and entering into a plea bargain. The donations are distributed to various not-for-profit organizations and other political subdivisions;

however, the Prosecuting Attorney does not make the judge aware of the donation when presenting the plea bargain to the court. Receipts from donations totaled approximately \$25,800 and \$35,700 for the years ended December 31, 2006 and 2005, respectively.

- A. The donations are distributed to various non-for-profit organizations and other political subdivisions. By accepting the donations, it is possible that fines and penalties which may otherwise have been assessed and credited to the county school fund were not collected and distributed in accordance with an established formula designed to benefit all schools within the county.

Section 166.131, RSMo, provides for the annual distribution of fines and penalties to various school districts in the same proportion that the September membership bears to the sum of the September membership of all the districts in the county.

- B. The Prosecuting Attorney does not make the judge aware of the donation when presenting the plea bargain to the court.

Opinion 176 issued by the Judicial Commission on Retirement, Removal, and Discipline, states, “Even though the judge does not impose a charitable or civic payment as part of a sentence or condition of probation, when the judge knows such a payment is a pre-condition to receiving the recommendation, the appearance of a ‘payoff’ remains. The judge has the obligation to review the plea agreement and exercise discretion in a manner so as not to create the appearance of a ‘payoff’. The judge should not approve such a plea bargain absent an ordinance, statute, or constitutional provision authorizing such payments.”

The Prosecuting Attorney and Associate Circuit Judge should reevaluate whether these circumstances allow the judge to make an informed decision or whether this practice should be discontinued.

Similar conditions were noted in the prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Review the practice of requiring donations as part of reducing charges files.
- B. Evaluate with the Associate Circuit Judge whether accepting donations as part of the plea bargain allows the judge to make an informed decision on cases and whether this practice should be discontinued.

AUDITEE’S RESPONSE

The Prosecuting Attorney indicated:

- A. *I do not plan to implement this recommendation.*

B. *I think that it is important that these funds benefit the youth of Clark County.*

The Associate Circuit Judge indicated:

B. *I sent a letter to the Prosecuting Attorney requesting he cease this practice in response to your prior recommendation.*

13. Drug Court Accounting Controls and Procedures
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Prenumbered receipt slips are not used for monies received and the method of payment is not always noted on receipt slips issued. The composition of the receipt slips is not reconciled to the composition of the deposits. Also, some concerns were noted regarding disbursements.

The 1st Judicial Circuit Drug Court Program, consisting of Clark and Scotland counties, is a court-supervised treatment program for nonviolent, drug offenders. Prosecuting Attorneys for each county refer drug offenders meeting various qualifications to the drug court program in place of serving time in jail. Participation is voluntary and takes 12 to 24 months to complete.

The Drug Court received grant monies and fees in 2006 and 2005 of approximately \$79,000 and \$122,000 respectively. The Drug Court Discretionary Grant Program (CFDA #16.585) was a federal grant from the United States Department of Justice, but in 2007 the state took over the program.

A. Receipt slips are issued for monies received; however, the receipt slips are not prenumbered and the method of payment is not noted on some receipt slips issued. Receipt slip sequence numbers are handwritten on the slips as they are issued. While the amount of each deposit is reconciled with the corresponding receipt slips, the Drug Court cannot ensure the composition of the deposit agrees to the composition of the monies actually received.

To ensure all receipts are deposited, the Drug Court should issue prenumbered receipt slips for all monies received, record the method of payment on each receipt slip, and reconcile the composition of receipts recorded on the receipt slips to the composition of the deposits.

B. A review of the Drug Court disbursements revealed the following concerns:

- 1) The Drug Court purchased 30 cases (each containing 10 boxes of 50 or 100 pairs) of latex gloves on June 26, 2007 for \$1,778 from the Fee Account. The Drug Court Clerk indicated that the gloves were purchased because the federal drug court grant was ending and the federal government stated that all of the grant money needed to be spent or given back. However, this disbursement appears unreasonable when considering only one case of gloves

has been partially used as of January 2008. The court should ensure all disbursements are reasonable and a prudent use of taxpayer money.

- 2) Invoices are not always marked paid or otherwise canceled upon payment. Canceling invoices and all other supporting documentation reduces the likelihood of duplicate payments and requiring acknowledgement of receipt of goods and/or services prior to payment will ensure the Drug Court actually received all items paid for.
- 3) The court did not solicit bids or retain documentation of price comparisons for drug test kits, which were purchased for \$10,006. Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 (\$6,000 as of August 2007) or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

WE RECOMMEND the Associate Circuit Judge:

- A. Require prenumbered receipt slips be issued for all monies received. In addition, ensure the method of payment is recorded on the receipt slips and reconciled to the composition of deposits.
- B.1. Ensure all disbursements are reasonable and a prudent use of taxpayer money.
 2. Ensure all paid invoices are marked as such in order to prevent reuse.
 3. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

- A. *When our program began in 2002, we used pre-numbered receipt slips. When we ordered new receipt books the vendor did not bring in the pre-numbered series that he had provided before and we were unable to return them. We used the new series because the number of the receipts in the receipt books was noted by the vendor on the cover of each receipt book and each receipt was accounted for in each book. The auditors advised that when ordering*

new receipt books to get the numbered series. This will be implemented as directed. We have already implemented the suggestion of recording the method of payment on each receipt and reconciling the composition of deposits.

- B.1. The drug court purchased 23 boxes of latex gloves in 2003, 25 boxes again in 2004, 70 boxes in 2005, 50 in March of 2007, and 300 boxes in June 2007. With the end of the federal grant it was necessary to spend down the drug court fees fund. It was determined that one of the very necessary items of the protection of the drug testing staff, trackers, and law enforcement was the purchase of latex gloves. It was calculated with the increase in participation and the addition of Scotland County that 300 boxes was not an unreasonable amount. We found it necessary to have these gloves located at the Clark County Sheriff's Office, Kahoka Police Department, Scotland County Sheriff's Department, and the Memphis Police Department. They are also in all patrol units for Clark and Scotland and they use them when dealing with drug related scenes. All of the above agencies are assisting with drug court screening, drug testing, and program compliance. The purpose of these gloves are for drug testing, medication compliance, searches of participants' homes, and scene investigation by all law enforcement agencies. We have thus far performed over 11,000 drug tests at the Clark County Sheriff's Office. This number does not include all of the in-home testing done by the trackers. The tracker also do med checks and use 1 box every week to 10 days for this.*
- 2. We currently attach a copy of all checks to the paid invoices but will immediately begin the practice of marking paid on all invoices.*
- 3. Pricing was obtained from different vendors through phone solicitations and the MCIC system. We also obtained pricing sheets from American Bio Medica on February 23, 2005 and had the pricing sheets from Drug Court Testing Services who are also state contractors. These were located in the drug testing information file and we did not attach them to the invoices. It was determined that the contract the Clark County Sheriff's Department had in place was the most competitive. We did not print a copy of the MCIC state contracts and will make sure from this point forward that this practice is put in place and attached to all invoices. We will also put in place a written quote system and not the verbal solicitation for all vendors in place and will attach the written pricing sheets that we are given to all invoices.*

14. Ex Officio Recorder of Deeds' Accounting Controls and Procedures

Listings of open items are not prepared and reconciled with the cash balances on a monthly basis and no written contracts exist between the Ex Officio Recorder of Deeds and two local banks for recording services. The Ex Officio Recorder of Deeds processed approximately \$64,000 a year in fees during 2006 and 2005.

- A. Listings of open items are not prepared and reconciled with the cash balances on a monthly basis. After the monthly disbursements, the reconciled bank balance at December 31, 2006, was \$464. However, the Ex Officio Recorder of Deeds could*

not explain this difference, except that some would be accumulated interest and some would be the calculation errors in her checkbook dating back to at least 2002 noted in our prior report.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. In addition, calculation errors in the checkbook should be investigated and corrected.

- B. No written contracts exist between the Ex Officio Recorder of Deeds and two local banks for recording services. The Ex Officio Recorder of Deeds received approximately \$10,400 and \$13,900 in 2006 and 2005, respectively, for recording services for these banks. The Ex Officio Recorder of Deeds tracks the number of documents recorded for each bank during the month and then bills the banks for the service.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

WE RECOMMEND the Ex Officio Recorder of Deeds:

- A. Prepare a monthly listing of open items and reconcile it to cash balance. In addition calculation errors in the checkbook should be investigated and corrected.
- B. Obtain written agreements with the banks.

AUDITEE'S RESPONSE

The Recorder indicated:

- A. *This recommendation has already been implemented and we are currently investigating the difference noted.*
- B. *This recommendation will be implemented.*

Follow-Up on Prior Audit Findings

CLARK COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Clark County, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

The General Revenue Fund and ½ Cent Sales Tax-Jail Operating Fund were in poor financial condition.

Recommendation:

The County Commission consider various alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue Fund and the ½ Cent Sales Tax - Jail Operating Fund and to maintain an adequate operating cash reserve in the funds.

Status:

Not implemented. See MAR finding number 1.

2. Procurement Procedures

The county did not always solicit bids and/or retain bid documentation for various purchases. In addition, the minutes did not adequately document bid information such as reasons for accepting other than the lowest bid or justification for sole source purchases and bid files appeared to be incomplete.

Recommendation:

The County Commission solicit bids for all purchase in accordance with state law and maintain adequate documentation of all bids obtained and the justification for selecting the winning bid. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

Status:

Partially implemented. Bid documentation was reviewed for numerous purchases, and bids were not solicited for snow removal equipment, which cost \$6,750. Although not repeated in the current MAR, our recommendation regarding soliciting bids for all purchases in accordance with state law remains as stated above.

3. Policies and Procedures

- A. In 2002, the county made a questionable administrative transfer of approximately \$67,500 from the Special Road and Bridge Fund to the General Revenue Fund. The 2002 transfer included administrative transfers related to activity for prior years, including 1999, 2000, and 2001. In addition, the audit report for the two years ended 1998 noted in the follow-up section that the General Revenue Fund still owed \$27,000 to the Special Road and Bridge Fund as the result of prior excessive administrative transfers.
- B.1. The county did not adopt an official personnel manual which detailed policies and procedures for county employees.
- 2. The County Clerk did not receive time sheets and records of accumulated leave balances from the Sheriff's department. As a result, the County Commission did not have documentation to support payroll expenditures or to monitor potential leave liabilities.
- C. The county's budgets and published financial statements did not properly report all financial activity of the ½ Cent Jail Building Fund.
- D. Billing summary statements for rock purchases, rather than individual invoices or delivery tickets, were used by the County Clerk as the basis for payment.
- E. The county did not update general fixed asset records timely or take an annual inventory. In addition, the Road and Bridge Department did not maintain an inventory record on bulk fuel and neither the Road and Bridge Department nor the Sheriff's Department reconciled fuel usage logs for vehicles to fuel purchases.

Recommendations:

The County Commission:

- A. Develop a plan to repay the \$94,500 due from the General Revenue Fund to the Special Road and Bridge Fund.

- B.1. Adopt an official personnel manual and require employees to read the manual as a condition of their employment.
- 2. Work with the Sheriff to ensure all time sheets and records tracking accumulated leave balances are forwarded to the County Clerk. In addition, the County Commission should periodically review leave balances to ensure balances do not exceed county policy.
- C. Ensure all applicable cash and receipt transactions are properly recorded on the budgets and published financial statements.
- D. Establish procedures to ensure all invoices are forwarded to the County Clerk for comparison to billing statements prior to payment.
- E.1. Establish a written policy related to handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases of fixed assets should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.
- 2. Maintain an inventory record of Road and Bridge Department fuel stored in bulk tanks and perform a physical inventory of the fuel. In addition, the Road and Bridge Department and Sheriff's Department should reconcile fuel usage logs to fuel purchases and review for reasonableness.

Status:

- A. Not implemented. The county believes the administrative transfers met state statutes and did not develop a plan to repay the \$94,500 due from the General Revenue Fund to the Special Road and Bridge Fund. Although not repeated in the current MAR, our recommendation remains as stated above.
- B.1. Not implemented. See MAR finding number 2.
- 2. Not implemented. See MAR finding number 4.
- C&D. Implemented.
- E.1. Not implemented. See MAR finding number 6.
- 2. Partially implemented. The Road and Bridge Department periodically reconciles fuel usage logs to fuel purchases. See MAR finding number 8.

4. Clark County Youth Fund

- A. The Prosecuting Attorney frequently reduced charges filed on traffic tickets by requiring the defendants to make a “donation” to the Clark County Youth Fund as a condition of reducing the charges and entering into a plea bargain. The County distributed the donations to various non-for-profit organizations and other political subdivisions. By accepting the donations, it is possible that fines and penalties which may otherwise have been assessed and credited to the county school fund were not collected and distributed in accordance with an established formula designed to benefit all schools within the county.
- B. The Prosecuting Attorney did not make the judge aware of the donation when presenting the plea bargain to the court.
- C. The county did not retain appropriate oversight of the Clark County Youth Fund and did not develop guidelines defining allowable uses of the funds.

Recommendations:

The Prosecuting Attorney and the Associate Circuit Judge determine whether requiring donations as part of a plea bargain is acceptable. If this practice is continued, the Prosecuting Attorney and the Associate Circuit Judge should establish guidelines for how donation amounts are determined. In addition, county officials should maintain a more direct role in the management of these funds, ensuring written guidelines are developed to establish the allowable governmental purposes for which the monies may be used and ensuring adequate supporting documentation is received for each disbursement.

Status:

Not implemented. See MAR finding number 12.

5. Sheriff's Grants

- A. Records and procedures were inadequate to ensure grants were properly managed, reimbursement requests and payments were accurate and timely, and required reports were prepared.
- B. Payroll expenditures claimed against the Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant (DWI Mini-grant) were not always supported by time sheets.
- C. The county did not appear to have a clear understanding of its obligation on each grant.

Recommendations:

The County Commission and Sheriff:

- A. Maintain complete and accurate records of all grants including a grant activity log to track grant awards, amounts and dates of reimbursement claims and payments, and required financial status reporting dates. In addition, policies and procedures should be developed to ensure reimbursement requests are submitted and reimbursements are received in a timely manner. The county should also review expenditures and reimbursements for the COPS Universal Grant to determine if the county has requested the appropriate reimbursements.
- B. Contact the granting agency to resolve the questioned costs and ensure supporting documentation is maintained on future grants.
- C. Review grant applications and ensure the obligations are understood and considered when budgets are prepared.

Status:

- A&B. Not implemented. However, the Sheriff does not receive these grants anymore. Although not repeated in the current MAR, our recommendations remain as stated above.
- C. Implemented.

6. Sheriff's Controls and Procedures

- A. Time sheets were not always prepared and supervisory reviews of time sheets were not performed.
- B. Leave records (annual, sick, and compensatory) were not periodically reviewed for reasonableness by supervisory personnel, county leave policies were not being followed, and leave records did not appear to be accurate.
- C. Duties were not adequately segregated and there was no independent oversight.
- D. Receipts were not deposited timely.
- E. The Sheriff's department housed prisoners for other counties and cities, billed the various entities for these services, and collected the related payments. A log was not maintained for amounts billed to or collected from the various entities, nor was a central file of billings maintained for comparison to collections. In addition, payments received were not matched to the billing statements as a means to track and follow-up on unpaid bills.

Recommendations:

The Sheriff:

- A. Require time sheets be prepared regularly by all employees and reviewed by supervisors.
- B. Ensure county leave policies are being followed and require periodic supervisory reviews of employee leave records for reasonableness and accuracy.
- C. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Endorse checks and money orders immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- E. Maintain a log of amounts billed to and collected from the various entities for boarding of prisoners as a means to track and follow-up on amounts due to the county.

Status:

A,B
&D. Implemented.

C&E. Not implemented. See MAR finding number 8.

7. Prosecuting Attorney's Controls and Procedures

- A. Duties were not adequately segregated and there was no independent oversight.
- B. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, was not established.

Recommendations:

The Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Utilize a pre-numbered complaint form, including all information necessary for processing, and maintain a summary log to adequately account for bad check complaints as well as the ultimate disposition. In addition, all checks lacking

sufficient information should be returned to vendors in a timely manner and documentation should be obtained from the vendor to indicate their receipt of restitution.

Status:

- A. Not implemented. The only documented supervision by the Prosecuting Attorney is when he signs the bank reconciliations. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

8. Associate Circuit Court Controls and Procedures

- A. The duties of receiving, recording, depositing, and disbursing monies were not adequately segregated.
- B. Receipts were not deposited timely.
- C. As of July 2003, differences in the bank reconciliations had not been resolved since November 2002.
- D. The court did not periodically write off old inactive case balances.

Recommendations:

The Associate Circuit Division:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100 and restrictively endorse checks and money orders upon receipt.
- C. Ensure that differences in the bank reconciliations are resolved in a timely manner.
- D. Review old cases with accrued costs and write off, by court order, those cases which are determined to be uncollectible.

Status:

- A-C. Not implemented. See MAR finding number 10.
- D. Implemented.

9. Circuit Clerk's Controls and Procedures

- A. The Circuit Clerk did not actively monitor or pursue collection of accrued case costs.
- B.
 - 1) Open item monies on deposit were improperly used to pay costs associated with other criminal and civil cases.
 - 2) The pre-Banner bank account had an unidentified balance of \$2,256 at March 31, 2003 and had little activity since a post-Banner account was opened in September 2001.
 - 3) During the audit period, the court disbursed approximately \$13,500 to the State Treasurer's Unclaimed Property Section with no evidence that the amounts were discussed with, or ordered by, the Circuit Judge.
- C. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank account were not adequately segregated.
- D. Receipts were not deposited on a timely basis.
- E. As of July 2003, differences in the bank reconciliations had not been resolved since December 2002.

Recommendations:

The Circuit Clerk:

- A. Establish procedures for actively monitoring and pursuing the collection of accrued costs. If collection of such costs cannot be made, case balances should be written off, by court order, in a timely manner.
- B.1. Collect costs on civil cases in advance and not use open item monies to pay costs on other cases.
 - 2. Close the pre-Banner account and appropriately disburse the unidentified monies.
 - 3. Disburse unidentified monies and write-off case balances only upon court orders issued by the Judge.
- C. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- E. Ensure that differences in the bank reconciliations are resolved in a timely manner.

Status:

A&

D-E. Not implemented. See MAR finding number 11.

B&C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CLARK COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1836, the county of Clark was named after William Clark, a member of the Lewis and Clark Expedition and governor of the Missouri Territory. Clark County is a county-organized, third-class county and is part of the 1st Judicial Circuit. The county seat is Kahoka.

Clark County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 507 miles of county roads and 122 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 8,493 in 1980 and 7,416 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	45.4	44.5	43.6	42.8	29.3	21.5
Personal property		20.0	18.9	17.5	18.1	11.8	9.6
Railroad and utilities		12.5	12.4	11.0	10.5	9.8	6.7
Total	\$	77.9	75.8	72.1	71.4	50.9	37.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Clark County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.3562	.3500	.3500	.3500
Special Road and Bridge Fund *		.7000	.7000	.7000	.7000

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth. The road district also has an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28 (29),				
	2007	2006	2005	2004
State of Missouri	\$ 23,090	22,485	21,487	21,108
General Revenue Fund	355,128	340,416	325,835	318,955
Special Road and Bridge Fund	469,007	448,240	434,020	429,490
Assessment Fund	53,119	52,054	48,754	38,802
Health Center Fund	75,928	73,990	70,700	69,642
School districts	2,866,317	2,796,148	2,612,442	2,616,106
Library district	62,227	60,887	57,837	56,811
Ambulance district	227,838	221,973	212,112	208,942
Watershed districts	5,984	5,788	5,822	5,869
Fire districts	20,556	23,331	19,278	18,824
Special road district	29,943	34,843	30,530	29,039
Levee and drainage districts	168,468	188,658	178,978	178,931
Surtax	84,738	85,563	76,973	75,094
Nursing Home	91,267	88,905	84,962	83,690
Cities	16,368	16,242	14,771	14,109
Tax Increment Financing	511	-	-	-
County Employees' Retirement Fund	27,359	25,152	27,801	24,660
Collector Tax Maintenance Fund	7,819	7,187	7,447	7,113
Commissions and Fees:				
County Collector	3,661	4,280	3,847	3,815
Total	\$ 4,589,328	4,496,142	4,233,596	4,201,000

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),				
	2007	2006	2005	2004
Real estate	95.0	95.0	95.1	94.9 %
Personal property	92.0	91.4	91.7	90.3
Railroad and utilities	100.0	99.6	100.0	100.0

Clark County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Special Road and Bridge	.0050	2008	None	
Law enforcement operations	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Steve Murphy, Presiding Commissioner (1)		12,899			
Eddie Brewer, Presiding Commissioner		8,147	24,440	24,440	24,440
C.W. Higbee, Associate Commissioner		22,440	22,440	12,523	12,523
Wayne Bourgeois, Associate Commissioner		22,440	22,440	12,523	12,523
Leih Ann Hayden, County Clerk		34,000	34,000	34,000	34,000
H. Scott Summers, Prosecuting Attorney		41,000	41,000	41,000	41,000
Roy Gilbert, Sheriff (2)		40,000	39,000	25,355	16,805
Doug Jones, Sheriff					5,057
Roberta McAfee, County Treasurer		25,160	25,160	25,160	25,160
Edwin Wilson, County Coroner		9,500	9,500	4,304	4,304
John Heinze, Public Administrator (3)		3,289			
Tammy McDaniel, Public Administrator		11,553	15,000		
Debbie Bourgeois, Public Administrator				15,450	15,450
Twila Harper, County Collector (4), year ended February 28 (29),	37,661	38,280	37,847	37,815	
Donna F. Oilar, County Assessor (5), year ended August 31,	34,688	34,688	27,400	27,491	

- (1) Steve Murphy was appointed Presiding Commissioner in June 2006 after the death of Eddie Brewer in April 2006.
- (2) Roy Gilbert won a special election in May 2003 after the resignation of Doug Jones.
- (3) John Heinze was appointed Public Administrator in October 2006 after the resignation of Tammy McDaniel October 2006.
- (4) Includes \$3,661, \$4,280, \$3,847 and \$3,815, respectively, of commissions earned for collecting drainage district, levy district, and city property taxes.
- (5) Includes \$688, \$688, \$708, and \$799 annual compensation received from the state in 2007, 2006, 2005, and 2004, respectively.

State-Paid Officials:

Mary D. Jones, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,900	47,300
John Moon, Associate Circuit Judge	96,000	96,000	96,000	96,000

As of December 31, 2006, the Special Road and Bridge Fund had incurred liabilities for equipment lease-purchases of approximately \$114,737.



Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Olympian Village Municipal Division



June 2008

Report No. 2008-37

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Olympian Village Municipal Division.

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated, monies received are not always deposited on a timely basis, bank reconciliations are not performed, and monthly listings of opens items (liabilities) are not prepared and reconciled to the applicable account. In addition, the Court Clerk does not request replenishment of the petty cash fund on a timely basis and has not turned over fines and costs to the city monthly as required by state law. In addition, neither the police department nor the court clerk maintain adequate records to account for the traffic tickets issued and their ultimate disposition.

This audit was conducted as part of the State Auditor's Office's petition audit of the city of Olympian Village. However, due to the city's overall lack of records, that audit has been delayed and will be ongoing for some time.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF OLYMPIAN VILLAGE
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Olympian Village, Missouri

We have audited certain operations of the city of Olympian Village Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent

person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Olympian Village Municipal Division of the Twenty-Third Judicial Circuit.

A petition audit of the city of Olympian Village, fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Zeb Tharp

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF OLYMPIAN VILLAGE
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Controls and Procedures
-----------	--------------------------------

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated, monies received are not always deposited on a timely basis, bank reconciliations are not performed, and monthly listings of opens items (liabilities) are not prepared and reconciled to the applicable account. In addition, the Court Clerk does not request replenishment of the petty cash fund on a timely basis and has not turned over fines and costs to the city monthly as required.

- A. Cash custody and recordkeeping duties have not been adequately segregated. The Court Clerk receives all monies, records transactions, prepares deposits, and issues checks. There is no evidence of any independent or supervisory review of these records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from that of recording receipts and depositing court monies. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monies received are not always deposited on a timely basis. Deposits generally are made once a month. For example, on April 12, 2007 the municipal court deposited \$1,278 into the Municipal Court Fund, but court was held on April 7, 2007. Cash included totaled over \$510. In addition, one receipt included in the deposit was from March 9, 2007.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis and more frequently if significant amounts of cash are collected.

- C. Bank reconciliations for the Municipal Court account, Bond account, and Judicial Education Account are not performed. In addition, monthly listings of open items (liabilities) are not prepared and reconciled to the Municipal Court account or the Bond account. At February 28, 2008, the checkbook balances of \$1,049 and \$892 for the Municipal Court account and the Bond account, respectively, did not agree to the reconciled bank balances, which did not agree to open items as noted below:

		Municipal Court Account	Bond Account
Reconciled bank balance	\$	2,007	591
Open items (liabilities)		2,145	250
Overage (shortage)	\$	<u>(138)</u>	<u>341</u>

The Court Clerk could not explain the differences noted in the accounts. The court should immediately investigate the difference between the open items and the available cash balances.

At the Court Clerk's request, the bank reconciled the Municipal Court account as of March 11, 2008. The bank found numerous unrecorded items and several mathematical errors in the checkbook. There were a total of \$538 in overdraft fees and \$80 in non-sufficient check charges for the Municipal Court account for the period of March 2007 to January 2008. Some of these fees had been refunded by the bank and some deducted from the monthly disbursement to the city. However, the Court Clerk did not maintain adequate documentation to ensure all of these fees had been recovered, which could possibly explain the shortage in the Municipal Court Account. Preparation of a monthly bank reconciliation would have detected these various errors on a timely basis and avoided the additional bank charges.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, to ensure all fees are recorded and/or refunded, and to allow old outstanding checks to be resolved in a timely manner. A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance and fees on hand should be reconciled to the Municipal Court account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. The Court Clerk should investigate any differences noted and take appropriate action.

- D. The Court Clerk does not request replenishment of the petty cash fund on a timely basis. The Court Clerk maintains a petty cash fund for small expenditures such as postage. As of March 1, 2008, the Court Clerk indicated she had not requested \$200 to replenish the petty cash fund and \$157 of her personal monies which had been used for these items. The Court Clerk maintained all of the vendor invoices for these items, but has not submitted them to the city for reimbursement.

Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of petty cash expenditures. Petty cash invoices should be submitted with the request for replenishment on a timely basis.

- E. The Court Clerk has not turned over fines and costs to the city monthly as required. Fines and costs for November 2007 (\$2,192) and January 2008 (\$708) were not turned over to the city until January 14, 2008 and March 11, 2008,

respectively. In addition, the Court Clerk had not submitted a report of cases filed to the city since October 2007 due to concerns with city personnel changes.

Section 479.080.1, RSMo, requires all fines and court costs to be paid to or deposited into the city treasury at least monthly. Also, Section 479.080.3, RSMo, requires a monthly report of cases to be filed with the city clerk.

WE RECOMMEND the Municipal Court:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit monies on a timely basis.
- C. Perform monthly bank reconciliations for all accounts and ensure the book balances reconcile to the bank balance. In addition, prepare a monthly list of open items and fees on hand and reconcile the lists to the book and bank balances. The Court Clerk should attempt to identify the differences noted, make any necessary adjustments to bring the books into balance, and dispose of any unidentified amounts in accordance with state law. Any unreimbursed bank fees should be replenished by the city.
- D. Submit all petty cash purchase receipts to the city to ensure the fund is replenished timely.
- E. Ensure all fines and court costs paid to or deposited into the city treasury monthly and a report of fees is filed with the city clerk at least monthly as required by state law.

AUDITEE'S RESPONSE

The Mayor indicated:

Currently, the 23rd Judicial Circuit Court has taken over our court. I will work with the Board in their attempt to start the city court again in the future.

The Board indicated:

We are planning to start up the court again. We will implement these recommendations with the start of the new court.

2.**Ticket Controls and Procedures**

Neither the police department nor the Court Clerk maintain adequate records to account for the traffic tickets issued and their ultimate disposition. The Court Clerk maintains a log of ticket books assigned to officers, showing the date, the name of the officer, and the ticket numbers; however, the log is not complete. For example, the log did not always show the date the ticket books were assigned to the police officers. No log is maintained of tickets issued. The police department issued approximately 142 tickets during the year ended June 30, 2007.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Olympian Village Municipal Division work with the police officers to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued. In addition, ensure the log of ticket books assigned is accurate and complete.

AUDITEE'S RESPONSE

The Mayor indicated:

Currently, the 23rd Judicial Circuit Court has taken over our court. I will work with the Board in their attempt to start the city court again in the future.

The Board indicated:

We are planning to start up the court again. We will implement these recommendations with the start of the new court.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF OLYMPIAN VILLAGE
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Olympian Village Municipal Division is within the Twenty Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	Dan Adey *
Court Clerk	Evelyn Haithcoat **

* The city did not renew their contract with the Judge when it expired on May 1, 2008.

** The Court Clerk resigned in May 2008 and has not been replaced.

Financial and Caseload Information

	Year Ended June 30, 2007
Receipts	\$ 11,897
Number of cases filed	142



Susan Montee, CPA
Missouri State Auditor

ELEMENTARY AND SECONDARY EDUCATION

Analysis of School Bus Driver Compliance Requirements



June 2008

Report No. 2008-36

auditor.mo.gov



Improvements Are Needed to Reduce School Bus Driver Risk to Children

Public school districts have primary responsibility to protect school children by ensuring criminal record checks and other requirements are completed for school bus drivers. Because of the importance of ensuring the safety of children transported to and from schools, we followed up on selected recommendations in our 2003 report titled *School Bus Safety (Report No. 2003-35)*, and related issues. Specific audit objectives included determining whether (1) public school districts complied with state and/or federal regulations regarding school bus drivers, (2) improvements are needed in the Department of Elementary Education's (DESE) oversight of public school transportation, and (3) state laws adequately prevent persons that may pose a risk to children from being employed as school bus drivers and/or bus aides.

Improvements are needed to reduce risk to children

Improvements are needed because school districts did not always ensure persons employed as school bus drivers and/or aides had (1) fingerprint based criminal record checks completed, (2) federally required drug tests completed, and (3) met training requirements. However, most districts met licensing and physical exam requirements. School district noncompliance occurred, in part, because school bus companies have not always complied with district contracts. District oversight of bus contractors has not been adequate because district officials were generally not monitoring contractor compliance with laws and regulations, and not maintaining certain driver records at school district offices. (See page 8)

DESE oversight could be improved

DESE has not been aware of noncompliance in the school bus transportation area because its oversight in that area has been limited. DESE's oversight of school transportation could be improved by requiring school districts to conduct periodic self assessments of compliance with state and federal regulations governing the employment of school bus drivers. (See page 13)

State laws not adequate, but changes proposed

State law has not mandated school bus drivers and aides hired prior to January 1, 2005 undergo fingerprint based criminal record checks (CRCs), and has not required any bus drivers or aides to undergo CRCs on a periodic follow-up basis. During the 2008 legislative session, the General Assembly proposed legislation that could have enhanced screenings of drivers and aides. Drivers and aides would have been subject to family care safety registry (FCSR) registration and screening, as of January 1, 2009. Also, the proposed legislation would have required school bus drivers and aides to undergo CRCs and FCSR checks on an annual basis. However, the General Assembly did not enact that legislation. (See page 15)

Driver history and social security records checks could disclose problems

Although not required, we found 17 of 30 school districts conducted statewide periodic driver history checks through the Department of Revenue (DOR). Public school districts also have not been required to verify social security numbers for new employees. However, eight school districts have been verifying social security numbers. Driver history checks and verification of social security numbers could disclose problem drivers. (See page 17)

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Abbreviations

CFR	Code of Federal Regulations
CRC	Criminal Record Check
CSR	Code of State Regulations
DESE	Department of Elementary and Secondary Education
DHSS	Department of Health and Senior Services
DOR	Department of Revenue
DSS	Department of Social Services
EDL	Employee Disqualification List
EDR	Employee Disqualification Registry
FCSR	Family Care Safety Registry
MSIP	Missouri School Improvement Program
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Dr. Kent King, Commissioner
Department of Elementary and Secondary Education
Jefferson City, MO

Public school bus drivers transported approximately 560,000 students during school year 2006-07 and by law, public school districts have primary responsibility to ensure criminal record checks and other bus driver requirements are met to protect transported children. Because of the importance of ensuring the safety of children transported to and from schools, we followed up on selected recommendations in our 2003 report titled *School Bus Safety (Report No. 2003-35)*, and related issues. Specific audit objectives included determining whether (1) public school districts complied with state and/or federal regulations regarding school bus drivers, (2) improvements are needed in the Department of Elementary Education's (DESE) oversight of public school transportation, and (3) state laws adequately prevent persons that may pose a risk to children from being employed as school bus drivers and/or bus aides.

Our audit disclosed students transported on public school buses may be at risk because school districts have not always complied with state and/or federal regulations governing public school bus transportation. Improvements are needed because school districts did not always ensure persons employed as school bus drivers and/or aides had (1) fingerprint based criminal record checks completed, (2) federally required drug tests completed, and (3) met training requirements. However, most districts met licensing and physical exam requirements. School district noncompliance occurred, in part, because school bus companies have not always complied with district contracts. District oversight of bus contractors has not been adequate because district officials were generally unaware of contractor noncompliance, and because certain driver records have not been maintained at school district offices. DESE's awareness and oversight of school transportation issues could be improved by requiring school districts to conduct periodic self assessments of compliance with state and federal regulations governing the employment of school bus drivers.

We also found state law has not mandated school bus drivers and aides employed prior to January 1, 2005 to have fingerprint based criminal record checks, or required employed bus drivers and aides to undergo background checks on a periodic follow-up basis. Legislation proposed during the 2008 legislative session could have enhanced screenings of drivers; however, the General Assembly did not enact the proposed legislation. We also found some districts periodically checked driver history, and verified social security numbers.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel and key contributors to this report included Robert Spence, Brenda Richardson, Amy Ames, Ryan Redel, and Josh Bryant.

A handwritten signature in black ink, reading "Susan Montee". The signature is fluid and cursive, with the first name "Susan" and last name "Montee" clearly distinguishable.

Susan Montee, CPA
State Auditor

Introduction

The Department of Elementary and Secondary Education (DESE) has limited oversight responsibility for public school bus transportation. As part of its oversight, DESE conducts Missouri School Improvement Program (MSIP) reviews of public school districts. The MSIP is conducted to ensure school districts comply with educational standards set forth by state law. Ensuring students are transported to and from school in a safe and efficient manner is part of the MSIP review. (See page 13 for discussion of DESE oversight.) State law and regulations place primary responsibility for bus transportation issues at the public school district level.

State and nationwide CRCs now required

State law¹ requires a fingerprint based criminal record check (CRC) be conducted on all persons hired after January 1, 2005 who have contact with children, including bus drivers and aides.² This applies to those employed by school districts or by transportation companies under contract with school districts. Once the electronic fingerprints are taken, the Missouri State Highway Patrol (highway patrol) conducts a statewide search of criminal records, and sends a second set of prints to the Federal Bureau of Investigation for a nationwide search. The highway patrol sends the results of the searches to DESE, and DESE then notifies school districts or bus companies. Districts may allow the newly hired drivers to operate buses pending the result of the CRCs. See page 8 for additional information on CRCs.

Prior to August 28, 2003, the law required the Department of Revenue (DOR) to conduct name based CRCs on drivers, but not aides. Beginning August 28, 2003, the law required DOR to perform fingerprint based CRCs on drivers. House Bill 487 required fingerprint based CRCs be performed on drivers and aides hired after January 1, 2005. This bill, signed by the Governor on July 5, 2005, also transferred responsibility for ensuring fingerprint based CRCs were performed from DOR to school districts. However, DOR and DESE agreed school districts would be responsible for CRCs beginning June 1, 2005.

Previous SAO Work

The State Auditor's Office (SAO) published a report³ in 2003 that, in part, addressed issues related to CRCs of persons interested in becoming licensed school bus drivers. In that report, we recommended the General Assembly

¹ Section 168.133, RSMo.

² Aides ride on school buses and help monitor children.

³ School Bus Safety, SAO, April 15, 2003 (Report No. 2003-35).

require current and potential school bus drivers to submit fingerprints with permit renewal applications or first-time permit applications.⁴

The General Assembly took action and enacted legislation, effective January 1, 2005, requiring school districts to ensure fingerprint based CRCs are performed on individuals, hired after January 1, 2005, authorized to have contact with pupils. However, the legislation does not require school districts to conduct follow-up CRCs on bus drivers and bus aides. See page 15 for additional discussion on this issue.

Scope and Methodology

To accomplish audit objectives, we conducted work at DESE in Jefferson City and at 30 public school districts in the state. We also conducted work at 3 contractors that provide school bus transportation for 10 of the 30 school districts. We interviewed knowledgeable officials and reviewed program documentation and/or data needed to accomplish objectives.

To determine whether districts performed random drug tests in accordance with federal regulations, we reviewed state and federal requirements and analyzed random drug testing records for 2006 at the 30 districts.

To determine whether fingerprint and non-fingerprint based CRCs had been conducted on drivers and aides at the 30 districts, we reviewed records for 2,362 transportation employees (1,987 drivers and 375 aides) sampled from a universe of 4,680 drivers and aides at those districts. When records of CRC results were missing from district files, we compared driver and aide records against DESE and DOR records to ascertain whether CRCs had been conducted.⁵

To determine whether school districts met state requirements for driver training, we reviewed training records for 1,987 drivers at the 30 school districts for the 2006-07 school year.

To determine whether requirements relating to commercial driver licenses had been met, we searched driver files for copies of commercial driver licenses with the proper endorsements for 1,987 sampled drivers.

⁴ School bus permits were replaced by commercial drivers licenses with an "S" endorsement in 2005.

⁵ DOR records contain evidence that name based and fingerprint based CRCs have been conducted and DESE records contain evidence that fingerprint based CRCs have been conducted.

To determine if all drivers at the 30 districts held valid commercial driver licenses with the proper endorsements, we conducted a data match of names and dates of birth provided by the 30 districts for 4,680 drivers and aides to DOR's database of commercially licensed school bus drivers. This electronic data match produced 1,427 records where either the name or date of birth provided by districts did not match DOR records exactly. Because non-matches could be the result of a driver's middle initial on school records and the driver's full middle name on DOR records, we manually compared the driver names and dates of birth to DOR records. Due to time constraints, we limited the comparison to driver last names beginning with A-F, or 435 drivers. This manual search identified 68 of 435 drivers who were not included in DOR's database containing approximately 21,000 school bus driver names. We provided the 68 names to applicable school districts to determine whether the district could provide documentation showing those drivers held valid, unexpired commercial drivers licenses with the proper endorsements. We also provided the 68 names to DOR to determine whether licenses had been issued after we received the file of school bus drivers.

To determine whether requirements relating to annual physical exams for drivers had been met, we searched 1,987 sampled drivers' records for physical exam certificates which would show whether the exams had been performed and/or whether exams had been conducted within 90 days prior to the start of the 2007-08 school year.

To determine whether school districts kept certain records on file, as required by state regulations, we interviewed district officials, and searched personnel files of our sampled drivers and aides.

To determine the adequacy of DESE's oversight of school bus transportation issues, we reviewed the most recent MSIP reports for the 30 districts. One district had the full MSIP review, and four districts had waivers⁶ for the 2006-07 school year, the same time period of our audit. We reviewed the five reports to ascertain the basis of DESE's determination that districts provided transportation to and from schools in accordance with Missouri statutes and regulations.

To determine the adequacy of state laws and regulations governing school bus drivers, we reviewed applicable portions of the laws and regulations to

⁶ Schools qualifying for waivers are exempt from the MSIP on-site review process; however, an area supervisor will visit to verify compliance with the standards and indicators listed in the waiver checklist.

ascertain the impact on screening of persons applying to be school bus drivers and aides. To determine the potential impact of proposed legislation related to school bus drivers and aides, we reviewed House Bill 1314, as of February 29, 2008.

To determine whether any of the 4,680 drivers and aides employed by the 30 districts posed a possible risk to children, we obtained 3 state databases listing persons who have substantiated charges of abuse and/or neglect of children or other vulnerable persons. We cross-matched names and social security numbers of the 4,680 drivers and aides with those 3 databases. The databases are maintained by the departments of Social Services, Mental Health, and Health and Senior Services. (See Appendix I to identify databases and Appendix II for a description of the databases.)

To test the accuracy of school district records, we conducted a data match of 4,680 district records of names, dates of birth and social security numbers of drivers and aides to Social Security Administration records. We found problems with two social security numbers.

To test the accuracy of DOR records, we conducted a data match of 4,680 school district records of driver and aide names and dates of birth to DOR's database of school bus drivers and found 1,427 records where the district records did not match DOR records exactly, as discussed on page 5. This procedure detected one licensed bus driver not included on DOR's database.

We were limited in matching data with DOR records electronically because DOR officials removed social security numbers from the file of licensed school bus drivers, citing confidentiality concerns. However, we mitigated this limitation by manually matching 435 district provided records of names A-F to DOR records using names and dates of birth.

Improvements Needed To Reduce Bus Driver Risk to Children

School districts may be putting some children at risk by not always complying with state and/or federal regulations governing school bus driver requirements. Improvements are needed because (1) fingerprint based CRCs have not always been conducted by school districts and/or school bus companies, and (2) random drug testing has not always met the requirements of federal regulations. In addition, school districts have not always ensured school bus drivers met training requirements; however, most districts met requirements for drivers obtaining timely physical exams and licensing. Noncompliance occurred, in part, because school bus companies have not always complied with contract requirements. District oversight has not been adequate because officials were generally unaware of contract noncompliance. Some district officials were also unaware that certain driver records are required to be maintained in school district files. DESE's oversight of school transportation could be improved by requiring school districts to conduct periodic self assessments of compliance with state and federal regulations governing the employment of school bus drivers.

State law has not mandated school bus drivers and aides hired prior to January 1, 2005 undergo fingerprint based CRCs, and has not required any bus drivers or aides to undergo CRCs on a periodic follow-up basis. However, the General Assembly proposed legislation⁷ during the 2008 legislative session that could have enhanced screenings of drivers and aides. Drivers and aides would have been subject to family care safety registry (FCSR) registration and screening, as of January 1, 2009. Also, the proposed legislation would have required school bus drivers and aides to undergo CRC and FCSR checks on an annual basis. However, the General Assembly did not enact the proposed legislation. In addition, driver history checks and verification of social security numbers could disclose problem drivers.

Improvements Needed To Reduce Risk To Children

Our audit disclosed instances in which school districts and contracted bus companies had not always ensured fingerprint based CRCs had been conducted and random drug testing met federal requirements. In addition, school districts have not ensured drivers have met training requirements; however, most districts met requirements for driver physical exams and licensing. We also found that certain driver records have not been maintained at school district offices, as required by state regulations, and bus companies providing transportation services have not always complied with contract terms.

⁷ House Bill No. 1314.

CRCs not always done

Our review of 1,987 driver and 375 aide records at 30 districts disclosed no evidence fingerprint based CRCs had been conducted on 47 drivers and 18 aides hired after January 1, 2005. In addition, DESE's records of CRCs conducted since January 1, 2005 confirm the 65 individuals had not had a fingerprint based CRC performed. State law requires bus drivers and aides hired after January 1, 2005 undergo a fingerprint based CRC.

We provided the results of our testing to applicable school district officials, but they could not provide documentation that fingerprint based CRCs had been conducted when drivers and aides were hired or anytime after. In discussing this issue, officials at five districts told us they would require these employees to have fingerprints taken, and perform CRCs.

Some districts not complying with random drug testing requirements

Our audit disclosed most of the 30 districts complied with federal random drug testing requirements. However, three (10 percent) of the school districts did not comply with testing requirements in 2006. The three districts tested an average of 37 percent of drivers. State regulations⁸ require school bus drivers to undergo testing for illegal drugs in compliance with laws. Federal regulations state: "...the minimum annual percentage rate for random controlled substances testing shall be 50 percent of the average number of driver positions."⁹

District officials unaware of noncompliance

We found school district officials were generally not aware their districts had not met state and federal requirements for drug testing. This situation occurred because school districts and bus companies rely on contractors to conduct drug testing in compliance with federal regulations. We found school districts and bus company officials did not question third parties on procedures used, methodology, or whether a sufficient number of driver positions were randomly tested to meet federal requirements.

In discussing this issue, an official at one district told us the transportation department would have to request a budget increase to conduct more random testing. An official at another district said the district did not meet the 50 percent threshold because the district's list of current drivers had been updated only once in 2006 instead of monthly. Therefore, terminated drivers selected for testing would not have been tested and as a result, too few drivers were tested. The official also told us the list of drivers will now be updated monthly.

⁸ 5 CSR-30-261.010 (2) (A) 3.

⁹ 49 CFR 382.305.

Districts not always
complying with training
requirements

Our audit of driver training records at 30 school districts disclosed 405 (20 percent) of 1,987 drivers had not obtained the minimum 8 hours of school bus training for the 2006-07 school year. State law requires: "On an annual basis, each school district shall provide training in at least 8 hours of duration to each school bus driver employed by the school district or under contract with the school district. Such training shall provide special instruction in school bus driving."¹⁰

Discussions with bus company and school district officials disclosed varying reasons for not complying with state law. For example, one bus company manager told us it was a corporate decision to provide only 5 hours of training annually due to budget cuts. At another school district, an official told us drivers have been reluctant to take time off for training and therefore, usually do not obtain the 8 hours of training required annually. Officials at other districts told us they had trouble keeping drivers so officials did not always take punitive action, such as withholding paychecks, when drivers did not obtain the required 8 hours of training.

Most districts met license
and physical exam
requirements

We found most districts complied with state laws regarding licensing.¹¹ However, we found instances in which some drivers did not have a valid commercial drivers license with a school bus endorsement. Commercial drivers licenses must be renewed every 6 years for persons who are at least 21 and under the age of 70. If 70 or older, the driver must renew the license every year.

Testing disclosed some
unlicensed drivers

Our data match of 4,680 drivers and aides against DOR's database of licensed school bus drivers disclosed 1,427 records where the name or date of birth did not agree exactly with the name or date of birth on DOR's database. Additional manual review of 435 district provided records of last names beginning with A through F, showed 68 drivers were not included on DOR records. Further review of DOR and school records disclosed 65 drivers had valid licenses and three drivers had not been properly licensed to drive school buses, even though they did not transport students. For example, a mechanic and a fueler did not have commercial drivers licenses, even though both may drive a bus while performing job duties. Another mechanic had a commercial drivers license, but it lacked the P endorsement. According to state regulation,¹² the driver of any vehicle designed to

¹⁰ Section 162.065, RSMo.

¹¹ Section 302.177, RSMo and Section 302.273, RSMo.

¹² 12 CSR 10-24.200 (11).

Most physical exam
requirements met

transport 16 or more passengers, including the driver, must have the proper class of license and have a P endorsement.¹³

In discussing this issue, a bus company official told us he does not believe mechanics or fuelers are required to have endorsements on their commercial drivers license, but he will review requirements for personnel that do not transport students.

Additional testing of 1,987 sampled drivers also disclosed one driver that transported students for 5 years, and another that transported students for over 3 years, but neither driver had the proper license endorsement. These persons are no longer employed as bus drivers.

We found most drivers in school districts reviewed had obtained physical exams for school year 2007-08, in accordance with state regulations. However, 68 of 1,987 drivers (3 percent), in 18 of 30 districts, had not complied. We found:

- 18 instances in which no evidence that a physical had been conducted and the applicable districts could not locate evidence or did not respond to our request for evidence.
- 47 instances in which physical exams had not been conducted within 90 days of the start of the 2007-08 school year.
- Three instances in which no evidence that a physical had been conducted was on file, but district officials obtained and provided physical exam certificates.

State regulation requires all school bus drivers undergo a physical examination annually, no more than 90 days before the beginning of the school year,¹⁴ and a certificate documenting the exam is to be kept in district files.¹⁵

In discussing these issues, district officials provided various explanations for noncompliance. For example, some district officials told us:

- Drivers had physical exams, but they had not been within 90 days prior to the start of the 2007-08 school year.

¹³ Persons having a P endorsement can not transport children.

¹⁴ 5 CSR 30-261.010 (2) (A) 2.

¹⁵ 5 CSR 30-261.010 (1) (D).

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- Drivers had obtained physical exams, but the certificates had not been put in district files.
 - Many drivers did not attend the beginning of the school year 'kick-off' meeting.
 - They did not know how this happened, but the district is going to implement a system requiring a checklist to be placed in each driver's file, indicating all licensing requirements have been met.

Bus companies not always complying with contract terms

As discussed (pages 8 through 10), school districts have not always complied with state laws and regulations or federal regulations for school bus drivers. This situation occurred, in part, because bus companies have not always complied with contract terms. For example, our review of driver records disclosed none of the 3 bus companies, contracting with 10 school districts, complied with contracts in one or more of the following areas: record keeping, physical exams and certificates, CRCs, training, and proper licensing of drivers.

Contracts with bus companies contained either (1) general language requiring the bus company to comply with all applicable federal, state, local, and district rules, laws, policies, and regulations; or (2) specific language for compliance. Contracts containing specific language required bus companies ensure drivers would (1) obtain an annual physical exam, (2) receive 8 hours of school bus driver training annually, (3) maintain valid licenses and certifications, and (4) undergo CRCs, as required by law. The contracts also required bus companies implement a drug testing program in accordance with federal laws, and certain driver records be provided to school districts.

Districts not providing adequate oversight of contractors

When discussing contractor noncompliance with district officials, we found some officials were not aware contractors had not complied with contract requirements. For example, one official told us the purpose of contracting for transportation services is to have the bus company take all the responsibility regarding transportation of children. This official does not plan to conduct any monitoring of the contract between the school district and the bus company.

The 10 districts contracting for transportation services generally did not maintain any driver records in district files.¹⁶ State regulation requires physical exam certificates and school bus permits be maintained in school district files.¹⁷ Although not required, the 10 districts also did not maintain

¹⁶ One district maintained results of CRCs, but no other driver records.

¹⁷ School bus permits were replaced by commercial drivers licenses with an "S" endorsement in 2005.

other driver records, such as CRCs, driver training, and random drug testing records. Because state law requires school districts ensure certain tests and training are done, sound business practices dictate school districts maintain testing and training records in district files to ensure state and federal requirements are met, and review those records to ensure adequate oversight is provided over contractors.

In discussing these issues, school district officials at half of the 10 districts told us they did not know state regulation requires districts maintain any driver records at district offices. Officials also told us they did not maintain contractor driver records at district offices because the drivers are not district employees. DESE issued a regulation requiring copies of physical exam certificates and commercial driver licenses be maintained in appropriate school district files. However, a DESE official told us the department is advising districts it is not necessary to keep the records in district files, as long as the district has access to bus company records.

One district aware of noncompliance

One district official was aware of noncompliance in some areas by the contracted bus companies because the district conducts audits of bus company records. According to the official, the district has sent a letter to both bus companies notifying them of noncompliance, and has assessed penalties totaling approximately \$30,000 this year. This official also told us the new contract for transportation services, currently under re-negotiation, will contain a requirement the bus companies provide the district reports twice a year documenting completed training hours, dates of physical exams, dates of CRCs, dates of random drug testing, and all the requirements this report covers. The district plans to use these reports to conduct audits in the future, according to the official.

DESE Oversight Could Be Improved

DESE has not been aware of noncompliance in the school bus transportation area because DESE's oversight in that area has been limited to MSIP reviews, according to one official. As part of the MSIP review, DESE determines whether "safe and efficient transportation to and from school is provided in compliance with Missouri statutes, regulations, and local board policy."

For the 30 districts reviewed, DESE conducted five MSIP reviews¹⁸ during the 2006-07 school year—the timeframe of our audit period. According to

¹⁸ The five reviews represented one full, on-site review and four with waivers. Schools qualifying for waivers are exempt from the MSIP on-site review process; however, an area supervisor will visit to verify compliance with the standards and indicators listed in the waiver checklist.

MSIP results, the five school districts complied with all laws relating to the transportation of students. However, our audit disclosed the five school districts did not always comply with state law and/or regulations relating to the transportation of public school students. For example:

- School District A: we found no evidence that (1) one driver held a current commercial drivers license or (2) the district provided at least 8 hours of training in school year 2006-07 for two other drivers.
- School District B: we found no evidence that (1) one driver had a commercial drivers license with proper endorsements, (2) another driver had gotten a timely physical exam in the fall of 2007, or (3) the district provided at least 8 hours of training in school year 2006-07 for eight drivers.
- School District C: we found no evidence that one driver had a commercial drivers license with proper endorsements.
- School District D: we found no evidence that (1) three drivers had a commercial drivers license with proper endorsements, (2) a fingerprint based CRC had been done on four drivers hired after January 1, 2005, (3) the district provided at least 8 hours of training in school year 2006-07 for five drivers, or (4) one driver had gotten a physical exam in the Fall of 2007.
- School District E: we found no evidence that (1) three drivers had gotten a timely physical exam in the Fall of 2007 or (2) the district had provided 8 hours of school bus training during school year 2006-07 to 10 drivers.

According to a DESE official, MSIP reviewers may sample individual driver records, but usually do not. Instead, reviewers rely on what district officials tell them. The official also told us having the districts conduct substantive self assessment would be more thorough than current practices, but it may not be practical.

State Laws Not Adequate, But Changes Proposed

As previously discussed, in January 2005 state law changed to require new employees undergo fingerprint based CRCs. From August 2003 to January 2005, DOR required a fingerprint based background check on drivers for all new and renewal school bus permits, but not aides. Prior to August 28, 2003, DOR completed a name based background check on drivers for new and renewal school bus permit applicants, but not aides. However, prior to 1986, no CRCs were completed on bus drivers or aides. Therefore, school bus drivers and aides hired prior to 1986 have not had a CRC conducted.

State law also does not require school districts and bus companies to conduct follow-up CRCs on a periodic basis once initial CRCs have been conducted. Therefore, it is possible a driver or aide that previously passed a CRC could commit a criminal offense and the district would not be aware of the offense.

Proposed changes in law could have strengthened screenings of drivers

During the 2008 legislative session, the House of Representatives proposed changes to current law. House Bill 1314, as adopted by the House, would have required school districts continue ensuring fingerprint based CRCs are conducted on persons hired after January 1, 2005, who are authorized to have contact with children. In addition to certified personnel and others, current law is applicable to school bus drivers and aides. The proposed legislation would have also required drivers and aides employed after January 1, 2009 to register with the FCSR and to be cleared through its database.

The proposed legislation would have also required DESE develop procedures that permit an annual check of drivers and aides against criminal records, and the FCSR. This portion of the proposed legislation would have been effective January 1, 2012. However, the General Assembly did not enact the proposed legislation.

FCSR screens various databases

The proposed legislation also would have required bus drivers and aides, hired after January 1, 2009, to register with the FCSR and be screened. State law established the FCSR to help ensure persons who care for children, the elderly, and physically or mentally disabled individuals can be easily screened. The Department of Health and Senior Services (DHSS) is responsible for maintaining the FCSR.¹⁹ The law now requires registration by child care, elder care and personal care workers, and allows others to voluntarily register.²⁰ Any employer requesting a FCSR background check must first ensure the applicant has completed a registry application. When a

¹⁹ Section 210.903, RSMo.

²⁰ Section 210.906, RSMo.

background check is requested, the FCSR database accesses the other state databases, and FCSR records are updated. The requesting entity is notified if the individual is included on any of the following lists:

- Department of Social Services' (DSS) Child Abuse and Neglect Central Registry (Central Registry)
- Highway Patrol's Missouri Uniform Law Enforcement System for sexual offender registrations
- The Highway Patrol's criminal record check system
- DHSS's Employee Disqualification List (EDL)
- Department of Mental Health's Employee Disqualification Registry (EDR)
- Child care facility license denials, revocations, and suspensions
- Residential living facility and nursing home license denials, revocations, suspensions, and probationary status
- Foster parent licensure denials, revocations, and involuntary suspensions

State databases included in FCSR screening can be useful tools

In addition to using CRCs, as required by law, we found some districts have been using other state resources to help screen potential drivers and aides. For example, some districts used DSS' Central Registry to help screen potential employees for child abuse or neglect. (See Appendix II for discussion of the Central Registry.)

To illustrate the potential impact of using the Central Registry, we compared a listing of 4,680 drivers and aides employed by districts²¹ to persons listed on the registry. This procedure identified 82 drivers and aides listed on the Central Registry. The 82 individuals have substantiated reports of child abuse and/or neglect. We provided the 82 names to officials at 17 applicable school districts. Some of the district officials expressed surprise and told us they would investigate and take corrective action if deemed appropriate. An official at one district told us the district knew an applicant appeared on the Central Registry, but after investigating the circumstances the district hired them. An official at one district told us the district had screened potential employees using the Central Registry, and found no record. However, we found one of that district's drivers on the registry.

We also compared our listing of 4,680 drivers and aides to the EDL and EDR databases and found 5 drivers included on the EDL and 4 drivers on the EDR. Persons listed on the EDL have been determined to have abused

²¹ We used social security numbers provided by 30 school districts to accomplish the cross-match.

or neglected individuals receiving services from DHSS, and persons listed on the EDR have been determined to have abused and/or neglected individuals receiving services from the Department of Mental Health. (See Appendix II for discussion of EDL and EDR.)

Driver History and Social Security Records Checks Could Disclose Problems

Our audit of 30 school districts disclosed 17 districts conducted statewide periodic driver history checks through DOR. State regulations do not permit DOR to issue or renew commercial drivers licenses with a school bus endorsement if the applicant's driving privilege has been suspended or revoked within five years preceding the application, or the applicant has certain other driving convictions.

According to officials from 2 of the 17 school districts, they conduct periodic driver history checks to detect driving offenses that may occur prior to license renewal, which is every 6 years.

A DESE official told us the department believes periodic driver history record checks should be done. According to officials, DESE and DOR collaborated to develop methods for districts to conduct periodic driver history checks through DOR. According to the DOR official, to get a driver history records search done, the district can call in on a general information line and a DOR employee will search Missouri driver records for up to three drivers at a time. Another method is the "dial-in" method, where district personnel call in and, using the phone, enters the driver information. There is no limit on how many drivers can be checked at one time using this method and it can be done anytime of the day. Both of these methods will provide driving convictions in Missouri or other states when reported on Missouri drivers. There is no cost for either of these methods. Districts may also obtain a printed record from the DOR's central office or by going to a local license office and paying the applicable fees.

Driver social security numbers not always verified

Public school districts have not been required to verify social security numbers for new employees; however, 8²² of 30 school districts reviewed have been verifying social security numbers. Employers, including school districts, can verify social security numbers for new employees through two sources. Districts and contracted bus companies can use the Social Security Administration²³ or the U.S. Citizenship and Immigration Services' E-Verify system²⁴ to verify identity and employment eligibility. In August 2007, the

²² As a result of our audit, two additional districts began verifying social security numbers.

²³ Contact the Social Security Administration at <http://www.ssa.gov/employer/ssnv.htm>.

²⁴ Contact the U.S. Citizenship and Immigration Services' E-Verify system at 888-464-4218.

Problem social security numbers found

SAO published a report which highlighted the importance of verifying social security numbers as part of teacher certification background checks.²⁵

We compared the social security numbers and dates of birth of 4,680 drivers and aides to a social security database.²⁶ The social security numbers of 2 of the 4,680 records 'failed'. The two represented instances in which social security numbers had been issued before the birth date of the individual using the social security number which could mean the birth date given is inaccurate, or the person could be using someone else's social security number.²⁷ We notified the applicable school bus company official of the discrepancies so he could follow up and verify the questionable social security numbers, and take corrective action if appropriate.

In discussing this issue, a DESE spokesperson told us the department does not consider this to be an issue related just to bus drivers and schools, rather it applies to all employees in the general population, and is really a Department of Labor and Industrial Relations issue. This official said the federal government believes social security number verification is a good thing to do, but too many employers do not know how to do it.

Conclusions

Improvements are needed in school district oversight of school bus transportation. School districts did not always conduct CRCs or comply with random drug testing requirements. District officials were generally not aware their districts had not met drug testing requirements because they relied on third party contractors to conduct random drug testing. School districts also did not always meet training requirements. District noncompliance can be attributed, in part, to contractor noncompliance by school bus companies, and the lack of oversight of these companies by district officials. District officials were generally not aware of contract noncompliance because officials did not maintain driver records at district offices, and did not review driver records.

DESE could enhance awareness of CRCs, drug testing, and training requirements, as well as other requirements, by issuing additional guidance to all public school districts clarifying those requirements and the need for adequate oversight of drug testing by third parties and bus transportation companies. DESE could also improve its awareness and oversight of bus

²⁵ See Educator Certification Background Checks, SAO, August 2007 (Report No. 2007-32).

²⁶ We used the Social Security Number Lookup system of Social Security Administration records maintained by the Texas State Auditor's Office.

²⁷ We also confirmed with the Social Security Administration that a problem existed on the two failed social security numbers.

transportation issues by requiring school districts to conduct self assessments of compliance with state and federal regulations governing the employment of school bus drivers on a periodic basis, and submit results to DESE.

State law has not required school districts to obtain fingerprint based CRCs on bus drivers and/or aides hired prior to January 1, 2005. In addition, state law has not required districts to conduct follow-up CRCs on a periodic basis. However, changes proposed in House Bill 1314 could have strengthened the screening process. If proposed legislation had been enacted, drivers would have been subject to FCSR registration and screening, as of January 1, 2009. Also, the proposed legislation would have required school bus drivers to undergo a CRC and FCSR check on an annual basis. The General Assembly should consider introducing legislation in the next legislative session to strengthen screening of school bus drivers.

Twelve of 30 school districts audited conducted periodic driver history checks through DOR records. Although not required, checking driving records on a periodic basis represents a sound business practice that should be adopted by all school districts. Performing these checks would help districts identify problem drivers. In addition, verifying driver social security numbers would help ensure school records are accurate and possibly identify persons using invalid social security numbers.

Recommendations

We recommend the Commissioner, Department of Elementary and Secondary Education:

2.1 Issue additional guidance to school districts to ensure:

- Districts understand the importance of conducting CRCs on drivers and/or aides.
- Third party drug testing is conducted in accordance with state regulations and federal law.
- Training requirements are met.
- Adequate oversight of bus contractors is accomplished by maintaining driver records at district offices, as required by law, and other records that will help ensure state and federal requirements are met.
- Bus company contractors that do not comply with state and/or federal requirements related to school bus drivers are penalized.

2.2 Require school districts to conduct self assessments of compliance with state and federal regulations governing the employment of school bus drivers on a periodic basis and submit results to DESE.

2.3 Ensure districts understand the importance of conducting periodic driver history record checks, and that it can be done at no cost.

2.4 Issue guidance recommending school districts verify social security numbers for new employees.

We recommend the General Assembly:

2.5 Strengthen screening of school bus drivers by enacting requirements such as those proposed in House Bill 1314.

Agency Comments

2.1 In relation to the first three bulleted items, DESE will continue through written communication and presentations at trainings and conferences to inform school districts of the regulations. DESE will take the recommendations in bulleted items four and five under advisement.

2.2 DESE will take this recommendation under advisement.

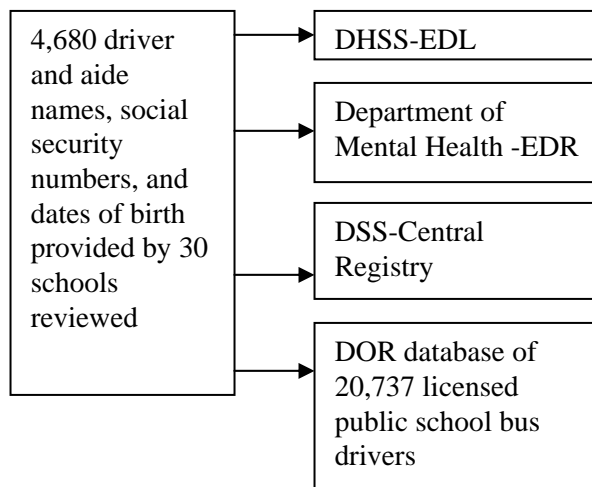
2.3 DESE will continue through written communication and presentations at trainings and conferences to inform school districts of the regulations.

2.4 DESE will take this recommendation under advisement.

SAO Database Matches

Figure I.1 displays the database matches SAO auditors performed against the EDL, EDR, and Central Registry to identify school bus drivers who could pose a risk to children. (For description of EDL, EDR, and the Central Registry, see Appendix II.) Also shown is our database match against DOR's database of licensed public school bus drivers.

Figure I.1: SAO Database Match Diagram



Source: SAO analysis of databases depicted in Figure I.1.

Descriptions of Databases

The following describes three databases analyzed by auditors. These records can be accessed as part of the FCSR once an employee registers.

- Central Registry - DSS's Child Abuse and Neglect Central Registry lists persons where an investigation by the Children's Division yields a finding of preponderance of evidence, probable cause, reason to suspect, or court adjudication that abuse did occur. Abuse and neglect can include incidents of physical abuse, sexual abuse, physical/medical neglect, or emotional maltreatment. The disposition of cases for persons on this registry is final, and the names do not drop off at a later date. School districts can access records of the central registry for current and newly hired employees.
- EDL - DHSS maintains the EDL, which lists individuals DHSS has determined to have (1) abused or neglected clients; (2) misappropriated funds or property belonging to clients; or (3) falsified documentation verifying the delivery of services to in-home services clients. As of February 29, 2008, school districts did not have access to this database.
- EDR – Department of Mental Health maintains the EDR which includes a listing of individuals the department has disqualified from working with clients receiving department services. The listing consists of individuals with substantiated abuse, neglect, or misuse of client funds, two Class II neglect or verbal abuse charges within a 12-month period. As of February 29, 2008, school districts did not have access to this database.



Susan Montee, CPA
Missouri State Auditor

Thirty-Eighth Judicial Circuit

City of Forsyth Municipal Division



June 2008

Report No. 2008-35

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

An audit was conducted by our office of the Thirty-Eighth Judicial Circuit, city of Forsyth Municipal Division.

Independent reconciliations of court receipts and deposits performed by the Forsyth City Clerk are not documented, and monies received are not always deposited in a timely manner. In addition, the municipal division does not maintain a comprehensive accounts receivable control ledger. Upon auditors' request, an accounts receivable listing was prepared by the Court Clerk that indicated approximately \$12,700 was due to the court as of May 2008. Also, the Municipal Judge does not always sign the court docket sheets after case dispositions are recorded.

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YELLOW SHEET

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF FORSYTH
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
Forsyth, Missouri

We have audited certain operations of the city of Forsyth Municipal Division of the Thirty-Eighth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended August 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Forsyth Municipal Division of the Thirty-Eighth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Jay Ross David Olson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF FORSYTH
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Court Controls and Procedures

Court internal controls could be improved and monies are not always deposited timely. The municipal division does not maintain an accounts receivable control ledger and the Municipal Judge does not always sign the court docket sheets.

- A. Independent reconciliations of court receipts and deposits performed by the City Clerk are not documented. Since adequate personnel are not available to properly segregate duties related to the municipal division, the City Clerk and the Municipal Judge indicated they review the work performed by the Court Clerk; however, these reviews are not documented.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for. Any reviews performed the City Clerk or Municipal Judge should be documented.

- B. Monies received are not always deposited in a timely manner. Receipts are deposited approximately once per week and the deposit amounts have ranged from \$150 to over \$5,000. Some receipts were held as long as ten days before being deposited.

In addition, when a court payment is received in the form of both cash and check, the Court Clerk does not indicate the amount of cash and checks received. Therefore, the composition of moneys received cannot be reconciled from the receipt records to the composition of deposits in the city's bank accounts.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made more timely. Further, to reconcile the composition of receipts to the composition of bank deposits, the amount of cash and checks received should be documented in the receipt records.

- C. The municipal division does not maintain a comprehensive accounts receivable control ledger; rather, individual case files and receipt slips are used to identify balances due the court. Upon our request, an accounts receivable listing was prepared by the Court Clerk which indicated approximately \$12,700 was due to the court as of May 2008. A comprehensive accounts receivable ledger is necessary to provide increased accountability and to facilitate monitoring of amounts due to the court.

- D. The Municipal Judge does not always sign the court docket sheets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should sign the docket to indicate approval of the recorded disposition.

WE RECOMMEND the city of Forsyth Municipal Division:

- A. Ensure independent reviews of accounting and financial records are documented.
- B. Deposit all monies timely, and indicate the amount of cash and check received on all receipt slips and reconcile the composition of moneys received to the composition of deposits.
- C. Maintain a comprehensive accounts receivable control ledger to properly account for and monitor the amounts due the court.
- D. Require the Municipal Judge to sign the court docket sheets.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

- A. *The City Clerk now signs all deposit breakdowns in the cash journal at the time of review, and a review of all funds received by the court will continue on a timely fashion.*
- B. *Receipts are deposited as soon as time allows. Forsyth is a small city; therefore, other duties are performed by the Court Clerk. This is being reviewed by the City Clerk and Court Clerk as to workload and solutions. All receipts indicate type of funds received; where receipts are in more than one form, the amounts will also be noted in the receipt book.*
- C. *Previously tracking funds owed to the court was done using individual open case files. An accounts receivable journal is now being used by the Court Clerk in addition to the individual system.*
- D. *The Municipal Judge now signs the Court Docket at the time of his review.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF FORSYTH
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Forsyth Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney counties. The Honorable Mark Orr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At August 31, 2007, the municipal division employees were as follows:

Municipal Judge	Eric Eighmy
Court Clerk	Glenda Collins

Financial and Caseload Information

	<u>Year Ended August 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$56,238	32,645
Number of cases filed	741	386



Susan Montee, CPA
Missouri State Auditor

ADMINISTRATION

Children's Trust Fund Board



June 2008

Report No. 2008-34

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

The following report is our audit of the Children's Trust Fund Board.

Some costs allocated to the Children's Trust Fund (CTF) may not be allowable. During the year ended June 30, 2007, costs allocated included the Office of Administration (OA), the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, and Attorney General, the General Assembly, the Capitol Police, and the Department of Revenue (DOR). During the year ended June 30, 2006, costs were allocated as previously noted with the addition of the State Treasurer's Office and the exception of Capitol Police costs. State law specifically allows that monies may be appropriated from the CTF for costs incurred by the DOR and OA, but no mention is made in state law of the other offices and agencies. Based upon expenditures allowed by state law, it is questionable whether costs allocated to the CTF totaling \$19,040 and \$17,377 during the years ended June 30, 2007 and 2006, respectively, for offices other than the DOR and the OA are allowable.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CHILDREN’S TRUST FUND BOARD

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the Children's Trust Fund Board
and
Kirk Schreiber, Executive Director
Jefferson City, Missouri

We have audited the Children's Trust Fund Board. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007 and 2006. The objectives of our audit were to:

1. Determine if the board has adequate internal controls over significant management and financial functions.
2. Determine if the board has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the board; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

The accompanying Management Advisory Report presents our finding arising from our audit of the Children's Trust Fund Board.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Joyce Thomson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CHILDREN'S TRUST FUND BOARD
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Cost Allocations

Some costs allocated to the Children's Trust Fund (CTF) may not be allowable. The Office of Administration (OA) applies a cost allocation method to recover costs for services provided by certain state agencies to the various state funds. For the years ended June 30, 2007 and 2006, the OA transferred \$37,939 and \$37,779, respectively, from the CTF to the state's General Revenue Fund for the cost allocations. Based upon expenditures allowed by state law, it is questionable whether costs allocated to the CTF totaling \$19,040 and \$17,377 during the years ended June 30, 2007 and 2006, respectively, for offices other than the Department of Revenue (DOR) and the OA are allowable.

During the year ended June 30, 2007, costs allocated included the OA, the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, and Attorney General, the General Assembly, the Capitol Police, and the DOR. During the year ended June 30, 2006, costs were allocated as previously noted except costs of the State Treasurer's Office were also allocated and Capitol Police costs were not allocated. Of these agencies, state law specifically allows that monies may be appropriated from the CTF for costs incurred by the DOR and OA, but no mention is made in state law of the other offices and agencies.

Section 210.173, RSMo, provides in part, that the General Assembly may appropriate monies annually from the CTF to the DOR to pay the costs incurred for collecting and transferring certain contributions; to the OA to pay the expenses incurred for budgetary, procurement, accounting, and other related management functions performed; and to pay the expenses of members of the board and the salary of the executive director. Funds appropriated by the General Assembly from the CTF shall only be used by the board for purposes authorized under Sections 210.170 to 210.173 and Section 143.1000, RSMo. Funds received from gifts, bequests, contributions (other than contributions made pursuant to Section 143.1000, RSMo), grants, and federal funds may be used and expended by the board as required or, in the absence of any specific requirements, as the board may determine for any lawful purpose.

To ensure monies are used in compliance with state law, the CTF Board should consult legal counsel to determine if all costs allocated to the CTF during fiscal years 2007, 2006, and prior years were allowable.

Although this finding relates only to costs allocated to the CTF, we plan to review the cost allocation on a statewide basis at a later date.

WE RECOMMEND the CTF Board consult with legal counsel to determine if all costs allocated to the CTF are authorized by state law. If any costs allocated are deemed unallowable, a reimbursement should be requested from the Office of Administration to recoup the unallowable amounts transferred.

AUDITEE'S RESPONSE

The Executive Director indicated that the Office of Administration (OA) has already implemented the necessary changes from this point forward to bring the allocation formula in compliance with Section 210.173.3, RSMo. The OA corrected this issue immediately for fiscal year 2008 after it was brought to their attention with a fund adjustment/correction transfer into the Children's Trust Fund. However, no adjustments are planned to correct allocations made in prior years. The Office of Budget and Planning has indicated that the CTF's Central Services costs will be approximately \$21,317 for fiscal year 2009, a substantial reduction in cost allocation from previous years.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

CHILDREN'S TRUST FUND BOARD FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Children's Trust Fund Board on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2005.

Although the unimplemented recommendation is not repeated, the board should consider implementing this recommendation.

Contract Monitoring

- A. The Children's Trust Fund Board (CTFB) did not track disbursements for media services and, as a result, the amount paid during the year ended June 30, 2005, exceeded the contracted amount by approximately \$53,000.
- B. The CTFB did not periodically request supporting documentation from license plate partner grantees.

Recommendation:

The CTFB establish monitoring procedures for all contracts and grants. This should include periodic reviews of supporting documentation for the license plate partner grant disbursements.

Status:

Partially implemented. Effective January 1, 2007, the CTF Board contracted with a different media services provider. The vendor provides detailed documentation which allows more effective monitoring of this contract. Effective July 1, 2006, the CTF Board of Directors adopted a revised policy establishing monitoring procedures for all grant contracts, including license plate partner grantees. In addition, the CTF Board amended contracts for all current license plate partner grantees to require a written annual report and supporting expenditure documentation to be submitted. Written annual reports and supporting documentation were received from these grantees during fiscal year 2007 and 2006. However, a contract compliance review was performed on only one of the twelve license plate partner grantees that received funding during fiscal year 2007. The Executive Director indicated the intent of the revised policy was to provide onsite or telephone monitoring of new license plate partner grantees during the first year expenditures are claimed. Although not noted in the current report, we recommend the CTF continue to work toward monitoring contract compliance of license plate partner grantees as required by the current policy.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CHILDREN'S TRUST FUND BOARD HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Children's Trust Fund (CTF) Board was established by Section 210.170, RSMo, to provide child abuse and neglect public awareness and prevention programs throughout the state. Under the provisions of Section 210.174, RSMo, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to CTF including to obtain the specialized CTF license plate, fees on marriage licenses, vital records, federal and other grants.

Section 210.170, RSMo, provides that the board shall consist of twenty-one members. Seventeen members are appointed by the Governor with the advice and consent of the Senate. Members serve until their successor is appointed. Two members of the Missouri House of Representatives are appointed by the speaker of the House and two members of the Missouri Senate are appointed by the president pro tem of the Senate. Members of the Senate and House of Representatives serve on the Children's Trust Fund Board until their term in the House or Senate expires. On June 30, 2007, the Children's Trust Fund Board had twenty-one members. Members serving on the board as of June 2007 were:

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
Nela Beetem	Holts Summit	September 2009
Terry Bloomberg	St. Louis	September 2006
Nanci A. Bobrow, Ph.D.	St. Louis	September 2006
Sam Burton, Ph.D.	Rolla	September 2004
Lynne M. Cooper, D.Min.	St. Louis	September 2005
Laurie Donovan	St. Peters	September 2009
Christy Garnett	Independence	September 2006
Margaret Krokstrom	St. Louis	September 2008
Dena Ladd	St. Louis	September 2007
Reverend Robert Marty	Mexico	September 2006
Kimberley Mathis	St. Louis	September 2009
Sheryl Maxwell	Lilbourn	September 2008
Daniel "Duke" McVey	Jefferson City	September 2000
Patrice O'Neil Mugg	Kirkwood	September 2007
Kay Lynne Myers	Kansas City	September 2006
Nuzhat Nisar, M.D.	St. Louis	September 2008
Regina Staves, Ph.D.	Kansas City	July 2006
Representative Mike McGhee	Odessa	
Representative Brad Robinson	Bonne Terre	
Senator Maida Coleman	St. Louis	
Senator Carl Vogel	Jefferson City	

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect. These

programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

The board may appoint an executive director to perform administrative duties. Kirk Schreiber was appointed Executive Director in October 2005. Three other employees perform various administrative duties and responsibilities.

Appendix A

CHILDREN'S TRUST FUND BOARD
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER
FINANCING USES, AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	2007	2006
RECEIPTS		
Contributions	\$ 252,763	208,020
Marriage license fees	993,377	999,628
Vital records sales	594,588	642,566
Intergovernmental receipts	495,948	545,178
Interest	166,298	124,127
Interagency receipts *	702,815	681,345
Miscellaneous refunds	0	2,269
Total Receipts	<u>3,205,789</u>	<u>3,203,133</u>
DISBURSEMENTS		
Personal service	187,049	164,148
Expense and equipment	119,339	96,136
Program disbursements	2,692,294	2,528,985
Office lease	12,224	1,039
Refunds	12,551	12,779
Total Disbursements	<u>3,023,457</u>	<u>2,803,087</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES (USES)	182,332	400,046
OTHER FINANCING SOURCES (USES) **		
Transfers in	136,517	108,053
Transfers out	<u>(115,650)</u>	<u>(105,781)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	203,199	402,318
CASH BALANCE, JULY 1	<u>3,424,484</u>	<u>3,022,166</u>
CASH BALANCE, JUNE 30	<u>\$ 3,627,683</u>	<u>3,424,484</u>

* Interagency receipts include payments received from other state agencies for contracted services.

** Transfers in amounts are income tax contributions designated by individual and corporate taxpayers on their income tax returns under the provisions of Section 143.1000, RSMo. Transfer out amounts include employee fringe benefits, allocation of costs in support of the state's central services and other.

Appendix B

CHILDREN'S TRUST FUND BOARD
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,					
		2007			2006		
				Lapsed			Lapsed
		Appropriations	Expenditures	Balances	Appropriations	Expenditures	Balances
CHILDREN'S TRUST FUND							
Programs	\$	3,360,000	2,692,294	667,706	3,360,000	2,528,985	831,015
Personal service		199,077	187,049	12,028	191,421	164,148	27,273
Expense and equipment		145,140	119,339	25,801	145,200	96,136	49,064
Other fund refunds		14,495	12,551	1,944	14,495	12,779	1,716
Office lease		11,888	11,888	0	0	0	0
OA - ITT		1,099	336	763	1,039	1,039	0
Unemployment benefits		146	0	146	0	0	0
Total Children's Trust Fund	\$	3,731,845	3,023,457	708,388	3,712,155	2,803,087	909,068

Appendix C

CHILDREN'S TRUST FUND BOARD
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Salaries and wages	\$ 187,049	164,148	165,913	162,909	170,239
Travel, in-state	6,942	5,869	6,395	7,759	11,157
Travel, out-of-state	4,893	1,790	2,614	1,847	0
Fuel and utilities	0	0	0	1,247	3,198
Supplies	18,962	22,630	26,817	23,471	24,767
Professional development	3,555	3,546	1,975	2,385	3,595
Communication service and supplies	4,564	3,354	4,346	5,679	5,787
Professional services	66,700	46,931	25,759	19,763	50,245
Housekeeping and janitorial services	0	0	0	896	1,269
Maintenance and repair services	407	455	258	1,695	809
Computer equipment	198	644	1,895	1,207	0
Office equipment	699	9,480	222	36	0
Other equipment	320	0	0	0	0
Real property rentals and leases	12,288	1,175	1,400	6,223	14,460
Equipment rental and leases	1,982	0	0	0	1,509
Miscellaneous expenses	14,803	1,312	1,508	1,909	3,933
Refunds	12,801	12,779	250,270	0	0
Program distributions	2,687,294	2,528,974	2,588,805	2,274,513	2,623,428
Total Expenditures	<u>\$ 3,023,457</u>	<u>2,803,087</u>	<u>3,078,177</u>	<u>2,511,539</u>	<u>2,914,396</u>

Note: Certain classifications of expenditures changed during the five-year period, which may affect the comparability of the amounts.



Susan Montee, CPA
Missouri State Auditor

Thirty-Eighth Judicial Circuit

City of Hollister Municipal Division



June 2008

Report No. 2008-33

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

An audit was conducted by our office of the Thirty-Eighth Judicial Circuit, city of Hollister, Missouri Municipal Division.

Hollister municipal court monies need to be deposited more timely and bond monies collected by the Police Department need to be retrieved more often by the Court Clerk. Procedures to collect monies due the municipal division and procedures to follow up on cash bonds held for more than one year need improvement. The log of tickets issued is not always complete and some tickets could not be located. The municipal division has not implemented an adequate password system restricting access to the computer system, and the Municipal Judge does not always sign the court dockets.

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YELLOW SHEET

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF HOLLISTER
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
Hollister, Missouri

We have audited certain operations of the city of Hollister Municipal Division of the Thirty-Eighth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended March 31, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Hollister Municipal Division of the Thirty-Eighth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Wayne Kauffman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF HOLLISTER
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Court Controls and Procedures

Court monies should be deposited more timely and bond monies collected by the Police Department need to be retrieved more often by the Court Clerk. Procedures to collect monies due the municipal division and procedures to follow up on cash bonds held for more than one year need improvement. The log of tickets issued is not always complete and some tickets could not be located. The municipal division has not implemented an adequate password system restricting access to the computer system, and the Municipal Judge does not always sign the court dockets.

- A. Court receipts collected by the Court Clerk are not always deposited on a timely basis. In addition, bonds collected by the Police Department and placed in the drop safe are not always retrieved timely by the Court Clerk. We noted instances where receipts were held five days before being deposited or retrieved by the Court Clerk.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited more timely.

- B. Procedures to collect monies due the municipal division on delinquent accounts need to be improved, and accounts receivable records need to be updated timely. The municipal division allows defendants to sign a payment plan agreement and pay fines and costs over a period of time. At March 31, 2008, municipal division records indicated an accounts receivable balance of approximately \$45,000. Several instances were noted where periodic payments as required by the payment plan agreements were missed and timely follow up action was not taken. We also noted one instance where the accounts receivable records were not updated for jail time served in lieu of payment.

To help maximize collections, the municipal division should institute procedures to improve the collection of amounts owed the division, such as establishing a continuous court docket system requiring a defendant to continue to appear before the court until amounts are paid in full. Additionally, updated accounts receivable listings are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

- C. The municipal division has not implemented adequate procedures to follow up on cash bonds held for more than one year. As of March 31, 2008, the court had 5

bonds totaling \$1,269 which have been held in excess of one year. One of the bonds dated back to 2003.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and if monies should be paid over to the city treasury as provided by Section 479.210, RSMo. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo, requires cash bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

- D. The court has established a log of tickets issued; however, the log is not always complete and some tickets could not be located. During the audit, four tickets selected for review could not be located, and information was not included on the log for these four tickets. Since the tickets and supporting documentation could not be reviewed, we could not determine the disposition of these tickets and whether they were properly reflected in the court's records.

To ensure the proper accounting and handling of all tickets, a complete ticket log should be maintained.

- E. The court does not have an adequate password system or procedures to restrict access to the computer system. Passwords are used, but passwords are not always kept confidential and are not changed periodically to ensure that they remain confidential.

Passwords should be unique, confidential, and changed periodically to reduce the possibility of unauthorized users, provide increased accountability, and provide an audit trail of transactions processed.

- F. The Municipal Judge does not always sign the court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should sign the docket to indicate approval of the recorded disposition.

WE RECOMMEND the city of Hollister Municipal Division:

- A. Deposit court monies more timely, and ensure bond monies collected by the Police Department are retrieved daily by the Court Clerk.
- B. Establish timely follow up procedures on amounts due the court to maximize the collection of fines and court costs, and ensure updated accounts receivable records are maintained.
- C. Implement adequate procedures to follow up on bonds being held.

- D. Ensure a complete ticket log is maintained to account for the disposition of all tickets.
- E. Implement an adequate password system by ensuring passwords remain confidential and requiring passwords to be changed periodically.
- F. Require the Municipal Judge to sign the court dockets.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk indicated:

- A. *Court monies will be deposited on a more timely basis and bond monies collected by the Police Department will be retrieved on a daily work day basis.*
- B. *The accounts receivable list shows a balance of approximately \$45,000. Contempt of court warrants have been issued on a good portion of this amount. At this time the municipal software program does not break down the amount owed for active cases and cases that warrants have been issued on. We will start checking our time payment drawer monthly and we are working to implement a procedure to control the time payments to make sure we are receiving payments on a timely basis.*
- C. *We will work on implementing a written policy for bond payments that need to be sent to the state's Unclaimed Property Section.*
- D. *A complete ticket log will be maintained. The four tickets selected for review that could not be found have been misfiled and not logged. We will work on a better system to try to ensure this doesn't happen again.*
- E. *Because of limited staff, the Assistant City Clerk/Court Clerk is cross-trained as the assistant computer system administrator and has knowledge of everyone's computer password. In the future, when we establish a separate court clerk position, passwords will remain confidential.*
- F. *It is the policy of the court for the Judge to sign all court dockets and we will work harder to ensure all docket sheets are signed by the Judge.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-EIGHTH JUDICIAL CIRCUIT
CITY OF HOLLISTER
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Hollister Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney counties. The Honorable Mark Orr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At March 31, 2008, the municipal division employees were as follows:

Municipal Judge	Randy Anglen
City Clerk/Court Clerk	Sheryl Brashear
Assistant City Clerk/Court Clerk	Bridget Epps

Financial and Caseload Information

	<u>Year Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
Receipts	\$ 93,335	99,374
Number of cases filed	596	577



Susan Montee, CPA
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2007



May 2008

Report No. 2008-32

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

The following report is our audit of the Office of State Treasurer.

During the period January 23 through April 15, 2008, the Deputy State Treasurer indicated that he performed work on the State Treasurer's campaign for Governor and took vacation leave from his state job when working on the campaign. During the period January 23 through March 31, 2008, the Deputy did not submit any official signed or completed time sheets as required by State Treasurer's Office (STO) policies. However, in April 2008, completed time sheets were provided by the Deputy for the abovementioned period.

Using the completed time sheets, on April 17, 2008, the STO recorded 173 hours of vacation leave taken and 16 hours of sick leave taken on the state's payroll system for the Deputy State Treasurer during the period of January 23 through March 31, 2008. This leave was recorded by processing numerous prior period adjustments. On this same date, 52 hours of vacation leave taken and 32 hours of sick leave taken was recorded for the period April 1 through April 15, 2008. When questioned, the Deputy State Treasurer indicated that his leave had not been reported timely but he stated his leave was reported accurately. Had all leave taken by the Deputy State Treasurer been reported timely and accurately, no prior period adjustments would have been necessary.

State funds totaling \$277,854 were not covered by collateral securities as of June 30, 2007. The STO has time deposits and collection accounts in banks throughout the state. Prior to the deposit of monies into the banks, the banks must have adequate securities pledged to cover the deposits, which are recorded in the STO collateral security system. Internal audits of the collateral securities system by the STO have not ensured that collateral securities are pledged in accordance with STO policies.

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YELLOW SHEET

OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Sarah Steelman, State Treasurer
Jefferson City, Missouri

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. However, the State of Missouri issued its Comprehensive Annual Financial Report for the years ended June 30, 2007 and 2006, and those reports were prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2007 and 2006, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 23, 2008, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

April 23, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Heather Stiles, CPA
	Patrick Pullins
	David Rothermich
	Tina Gildehaus



SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Sarah Steelman, State Treasurer
Jefferson City, Missouri

We have audited the financial statements of the Office of State Treasurer as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated April 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of State Treasurer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the office's financial statements that is more than inconsequential will not be prevented or detected by the office's internal control. We consider the deficiencies described as finding numbers 1 and 2 in the accompanying Management Advisory Report to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the office's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies referred to above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Management Advisory Report as finding numbers 1 and 2.

The responses of the Office of State Treasurer to the findings identified in our audit are described in the accompanying Management Advisory Report. We did not audit the office's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

April 23, 2008

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2007.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$479,032. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets decreased by \$528,768. The decrease in net assets was caused by a decrease in the revenues received in FY 2007 and an increase in the expenditures made in FY 2007 as compared to both revenues and expenditures from FY 2006.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$441,108, a decrease of \$486,772 in comparison with the prior year. The total amount is available for spending as of July 1, 2007, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, specifically special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's Information Fund and the State Treasurer's General Operations Fund.

Proprietary Funds. Proprietary Funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check

Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2007, the Treasurer's Office governmental funds reported combined ending fund balances of \$441,108, a decrease of \$486,772 over fiscal year 2006. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Unreserved	\$436,546	\$4,562	\$441,108

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2007. At the end of fiscal year 2007, the Treasurer's General Operations Fund reported a total fund balance of \$436,546. The net decrease in fund balance during fiscal year 2007 was \$481,374. Revenues of the Treasurer's General Operations Fund totaled \$1,961,289, and expenditures of the Treasurer's General Operations Fund totaled \$2,440,844. Contributing factors follow:

- In fiscal year 2007, the second year of operation, the Treasurer's Office revised the calculations used when depositing a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605 RSMo, and subsequently decreased the amount of revenues to the fund to utilize a portion of the ending fund balance as of June 30, 2006.
- In fiscal year 2007, approximately \$166,000 in personal service and fringe benefit expenditures transferred from the Treasurer's Information Fund to the Treasurer's General Operations Fund.

- In fiscal year 2007, the State Treasurer's General Operations Fund experienced an increase of approximately \$100,500 in personal service and fringe benefit expenditures related to a 3 percent increase of state employee pay submitted by the Governor's Office in the state budget for fiscal year 2007.
- In fiscal year 2007, the State Treasurer's General Operations Fund was charged approximately \$176,000 for the leasing of space in state office buildings that was previously paid out of the General Revenue Fund.

The Treasurer's Information Fund was the secondary operating fund for the Treasurer's Office in fiscal year 2007. At the end of fiscal year 2007, the Treasurer's Information Fund reported a total fund balance of \$4,562. The net decrease in fund balance during fiscal year 2007 was \$5,398. Revenues of the Treasurer's Information Fund totaled \$1,028. Expenditures of the Treasurer's Information Fund totaled \$1,257 in fiscal year 2007. Contributing factors follow:

- The Treasurer's Information Fund ceased being a recipient of the state's cost allocation plan after transfers to the fund in fiscal year 2006 provided sufficient funding for the office's remaining appropriations from the fund. This plan is calculated by the Office of Administration and used to allocate the costs of services provided by certain agencies to the funds of the state. Costs are allocated based on how the funds create work for the agencies in the pool. The costs of the State Treasurer's Office were allocated based on receipts into the fund.
- By the end of fiscal year 2006, the Treasurer's Information Fund returned to its original function of receiving funds for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office.

Proprietary Funds:

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets decreased by \$41,996. This is primarily due to an increase in personal service expenditures and a decrease in outstanding receivables.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2008 continued the same appropriation levels as the fiscal year 2007 budget with two exceptions. The first was a 3 percent increase in salaries and related increases to the associated fringe benefits pursuant to the Governor's recommendations in the state budget. The second was a decrease in funding from the supplemental appropriations request in 2007 to fund the expanded linked deposit program.

Events taking place after the fiscal year end include:

- The contract for the state's General Depository Services expired December 31, 2007. The State Treasurer's Office has exercised its 1st renewal option for the period January 1, 2008 through December 31, 2008.

Fund Financial Statements

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164**

	June 30,	
	2007	2006
ASSETS		
Cash and Cash Equivalents	\$ 108,509	340,674
Investments	463,112	667,741
Total Assets	\$ 571,621	1,008,415
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 30,342	11,292
Accrued Payroll	57,766	56,686
Due to Other Funds	46,967	22,517
Total Liabilities	135,075	90,495
Fund Balances:		
Unreserved	436,546	917,920
Total Fund Balances	436,546	917,920
Total Liabilities and Fund Balances	\$ 571,621	1,008,415

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164

	Year Ended June 30,	
	2007	2006
Revenues:		
Value of Investments	\$ (514)	(2,995)
Interest	1,956,167	2,651,728
Contributions and intergovernmental	0	140,417
Cost Reimbursement/Miscellaneous	5,636	64
Total Revenues	1,961,289	2,789,214
Expenditures:		
Current:		
General Government	2,440,844	2,086,341
Total Expenditures	2,440,844	2,086,341
Excess Revenues (Expenditures)	(479,555)	702,873
Other Financing Sources (Uses):		
Transfers Out	(1,819)	(455)
Total Other Financing Sources (Uses)	(1,819)	(455)
Excess Expenditures and Net Change in Fund Balances	(481,374)	702,418
Fund Balances - Beginning	917,920	215,502
Fund Balances - Ending	\$ 436,546	917,920

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255**

		June 30,	
		2007	2006
Assets			
Cash and Cash Equivalents	\$	941	3,773
Investments		4,016	7,395
Total Assets	\$	4,957	11,168
Liabilities And Fund Balances			
Liabilities:			
Accounts Payable	\$	395	1,208
Total Liabilities		395	1,208
Unreserved		4,562	9,960
Total Fund Balances		4,562	9,960
Total Liabilities and Fund Balances	\$	4,957	11,168

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S INFORMATION
FUND 0255

	Year Ended June 30,	
	2007	2006
Revenues:		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$ 37	8
Contributions and Intergovernmental	0	28,084
Cost Reimbursement/Miscellaneous	991	1,665
Total Revenues	<u>1,028</u>	<u>29,757</u>
Expenditures:		
Current:		
General Government	<u>1,257</u>	<u>172,442</u>
Total Expenditures	<u>1,257</u>	<u>172,442</u>
Excess Revenues (Expenditures)	<u>(229)</u>	<u>(142,685)</u>
Other Financing Sources (Uses):		
Transfers In	0	132,742
Transfers Out	<u>(5,169)</u>	<u>(1,226)</u>
Total Other Financing Sources (Uses)	<u>(5,169)</u>	<u>131,516</u>
Net Change in Fund Balances	(5,398)	(11,169)
Fund Balances - Beginning	<u>9,960</u>	<u>21,129</u>
Fund Balances - Ending	<u>\$ 4,562</u>	<u>9,960</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2007	2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,968	14,777
Investments	8,399	28,965
Accounts Receivable, Net	1,376	1,397
Due from Other Funds	31,508	36,007
Noncurrent Assets:		
Restricted Assets:		
Equipment	38,054	38,054
Less Accumulated Depreciation	(38,054)	(34,562)
Total Capital Assets (Net of Accumulated Depreciation)	0	3,492
Total Assets	43,251	84,638
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,062	3,010
Accrued Payroll	864	830
Due to Other Funds	495	496
Noncurrent Liabilities:		
Compensated Absences	906	381
Total Liabilities	5,327	4,717
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	0	3,492
Unrestricted	37,924	76,428
Total Net Assets	\$ 37,924	79,920

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	Year Ended June 30,	
	2007	2006
Operating Revenues		
Charges for Services	\$ 124,012	138,200
Total Operating Revenues	124,012	138,200
Operating Expenses		
Personal Service	35,155	32,368
Operations	125,635	127,002
Inventories	773	878
Depreciation	3,492	4,151
Total Operating Expenses	165,055	164,399
Operating Income (Loss)	(41,043)	(26,199)
Non-Operating Revenues (Expenses)		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	151	(26)
Total Non-Operating Revenues (Expenses)	151	(26)
Income (Loss) Before Transfers	(40,892)	(26,225)
Transfers Out	(1,104)	(1,629)
Change in Net Assets	(41,996)	(27,854)
Total Net Assets - Beginning	79,920	107,774
Total Net Assets - Ending	\$ 37,924	79,920

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2007	2006
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 124,033	141,749
Payments to Suppliers	(126,356)	(123,998)
Payments to Employees	(34,598)	(33,552)
Net Cash Provided (Used) by Operating Activities	<u>(36,921)</u>	<u>(15,801)</u>
Cash Flows from Noncapital Operating Activities		
Due to/ Due from Other Funds	4,499	3,343
Transfers to (from) Other Funds	(1,104)	(1,629)
Net Cash Provided (Used) by Noncapital Operating Activities	<u>3,395</u>	<u>1,714</u>
Cash Flows from Investing Activities		
Purchase of Investments	20,717	12,170
Net Cash Provided (Used) by Investing Activities	<u>20,717</u>	<u>12,170</u>
Net Increase (Decrease) in Cash	(12,809)	(1,917)
Cash and Cash Equivalents, Beginning of Year	14,777	16,694
Cash and Cash Equivalents, End of Year	<u><u>1,968</u></u>	<u><u>14,777</u></u>
Reconciliation of Operating Income of Net Cash Provided (Used) by Operating Activities		
Operating Income	(41,043)	(26,199)
Depreciation Expense	3,492	4,151
Changes in Assets and Liabilities:		
Accounts Receivable	21	3,549
Accounts Payable	52	3,004
Accrued Payroll	33	0
Compensated Absences Payable	525	(354)
Due to Other Funds	(1)	48
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (36,921)</u></u>	<u><u>(15,801)</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	June 30,	
	2007	2006
ASSETS		
Cash and Cash Equivalents	\$ 2,597,746	14,595,344
Investments at Fair Value	11,087,091	28,607,690
Inventory	0	1,591
Capital Assets:		
Equipment	36,537	18,344
Less: Accumulated Depreciation	(17,125)	(11,049)
Total Capital Assets, Net	<u>19,412</u>	<u>7,295</u>
 Total Assets	 <u>13,704,249</u>	 <u>43,211,920</u>
LIABILITIES		
Accounts Payable	279,826	1,949
Accrued Payroll Payable	19,590	18,455
Due to Other Funds	<u>8,759</u>	<u>8,040</u>
 Total Liabilities	 <u>308,175</u>	 <u>28,444</u>
NET ASSETS		
Net Assets Held in Trust for Other Purposes	\$ <u><u>13,396,074</u></u>	<u><u>43,183,476</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	Year Ended June 30,	
	2007	2006
Additions		
Increase/Decrease in Appreciation of Assets	\$ 145,862	(112,392)
Total Investment Earnings	145,862	(112,392)
Unclaimed Property	(27,669,252)	25,871,320
Total Additions	(27,523,390)	25,758,928
Deductions		
Administrative Expenses	2,257,937	2,320,078
Depreciation	5,271	2,874
Total Deductions	2,263,208	2,322,952
Change in Net Assets	(29,786,598)	23,435,976
Net Assets - Beginning	43,183,476	19,747,500
Prior Period Adjustment	(804)	
Net Assets - Ending	\$ 13,396,074	43,183,476

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, and the changes in financial position and where applicable, cash flows, of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2007, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. All major sources of revenue, including taxes, licenses, fees, permits, and governmental contributions are susceptible to accrual when available within 60 days. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Central Check Mailing Service Revolving Fund Statement of Cash Flows are also reported under this definition. Cash balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, Treasurer's Information Fund, and Treasurer's General Operations Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statements of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets.

G. Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of 5 years.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents", "Investments", "Restricted Assets - Cash and Cash Equivalents", and "Restricted Assets - Investments" as reported at June 30, 2007.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2007.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by

maintaining an effective duration of less than 1.5 years, and holding at least 40 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements. During fiscal year 2007, the State did not have more than 5 percent of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S&P). The Treasurer does not have any additional policies regarding credit ratings of investments.

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit, however the State Treasurer's Office does not have any deposits or investments in foreign currency.

C. Securities Lending Program

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5 RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

3. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities:				
Equipment, Governmental Funds	\$ 48,433	\$ 81,828	\$ 0	\$ 130,261
Equipment, Proprietary Funds	<u>38,054</u>	<u>0</u>	<u>0</u>	<u>38,054</u>
Total Equipment	<u>86,487</u>	<u>81,828</u>	<u>0</u>	<u>168,315</u>
Less Accumulated Depreciation for:				
Equipment, Governmental Funds	(6,878)	(33,040)	0	(39,918)
Equipment, Proprietary Funds	<u>(34,562)</u>	<u>(3,492)</u>	<u>0</u>	<u>(38,054)</u>
Total Accumulated Depreciation	<u>(41,440)</u>	<u>(36,532)</u>	<u>0</u>	<u>(77,972)</u>
Governmental Activities Capital Assets, Net	\$ <u>45,047</u>	\$ <u>45,296</u>	\$ <u>0</u>	\$ <u>90,343</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ <u>133,733</u>	\$ <u>165,036</u>	\$ <u>153,781</u>	\$ <u>144,988</u>	\$ <u>144,988</u>
Total Governmental Activities	\$ <u>133,733</u>	\$ <u>165,036</u>	\$ <u>153,781</u>	\$ <u>144,988</u>	\$ <u>144,988</u>

5. Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2007, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2007
Accounts Payable:			
Vendors	\$ 30,737	\$ 3,062	\$ 33,799
Employees	57,766	864	58,630
Total Accounts Payable	\$ 88,503	\$ 3,926	\$ 92,429
Accounts Receivable:			
Customers	\$ 0	\$ 1,376	\$ 1,376
Total Accounts Receivable	\$ 0	\$ 1,376	\$ 1,376

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2007, is shown below:

<u>Due To/From Other Funds</u>			
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
Fringe Benefits	\$ 46,967	\$ 495	\$ 47,462
Totals	\$ 46,967	\$ 495	\$ 47,462
Due From Other Funds:			
General Government	\$ 0	\$ 31,508	\$ 31,508
Totals	\$ 0	\$ 31,508	\$ 31,508

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer's Office are being presented, not all state funds.

7. Subsequent Events: Events taking place after the fiscal year end include:

The contract for the state's General Depository Services expires December 31, 2007. The State Treasurer's Office has exercised its 1st renewal option for the period January 1, 2008 through December 31, 2008.

Required Supplementary Information

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,012,106	\$ 1,012,106	\$ 1,012,106	\$ 0	\$ 11,208	\$ 11,208	\$ 11,208	\$ 0
Resources (Inflows):								
Interest	2,369,000	2,369,000	1,958,344	(410,656)	0	0	0	0
Intergovernmental	0	0	3,459	3,459	3,200	3,200	991	(2,209)
Total Resources (Inflows)	<u>2,369,000</u>	<u>2,369,000</u>	<u>1,961,803</u>	<u>(407,197)</u>	<u>3,200</u>	<u>3,200</u>	<u>991</u>	<u>(2,209)</u>
Amount Available for Appropriation	<u>3,381,106</u>	<u>3,381,106</u>	<u>2,973,909</u>	<u>(407,197)</u>	<u>14,408</u>	<u>14,408</u>	<u>12,199</u>	<u>(2,209)</u>
Charges to Appropriations (Outflows):								
General Government	1,905,865	1,918,865	1,831,902	86,963	8,000	8,000	2,454	5,546
Transfers Out	641,393	642,554	569,873	72,681	4,799	4,799	4,784	15
Total Charges to Appropriations	<u>2,547,258</u>	<u>2,561,419</u>	<u>2,401,775</u>	<u>159,644</u>	<u>12,799</u>	<u>12,799</u>	<u>7,238</u>	<u>5,561</u>
Ending Budgetary Fund Balance	<u>\$ 833,848</u>	<u>\$ 819,687</u>	<u>\$ 572,134</u>	<u>\$ (247,553)</u>	<u>\$ 1,609</u>	<u>\$ 1,609</u>	<u>\$ 4,961</u>	<u>\$ 3,352</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(463,627)				(4,020)	
Investments at Fair Value			463,112				4,016	
Accounts Payable			(30,342)				(395)	
Accrued Payroll			(57,766)				0	
Due to Other Funds			<u>(46,967)</u>				<u>0</u>	
Fund Balance - GAAP Basis			<u>\$ 436,544</u>				<u>\$ 4,562</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2006**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 301,689	\$ 301,689	\$ 301,689	\$ 0	\$ 21,251	\$ 21,251	\$ 21,251	\$ 0
Resources (Inflows):								
Interest	2,300,000	2,300,000	2,637,750	337,750	0	0	0	0
Cost Reimbursement	0	0	0	0	1,400	1,400	15,707	14,307
Intergovernmental	0	0	154,458	154,458	0	0	14,042	14,042
Transfers In	0	0	0	0	139,620	139,620	132,742	(6,878)
Total Resources (Inflows)	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,792,208</u>	<u>492,208</u>	<u>141,020</u>	<u>141,020</u>	<u>162,491</u>	<u>21,471</u>
Amount Available for Appropriation	<u>2,601,689</u>	<u>2,601,689</u>	<u>3,093,897</u>	<u>492,208</u>	<u>162,271</u>	<u>162,271</u>	<u>183,742</u>	<u>21,471</u>
Charges to Appropriations (Outflows):								
General Government	1,529,855	1,580,091	1,574,013	6,078	114,691	114,691	91,776	22,915
Transfers Out	688,460	688,460	507,778	180,682	88,167	88,167	80,758	7,409
Total Charges to Appropriations	<u>2,218,315</u>	<u>2,268,551</u>	<u>2,081,791</u>	<u>186,760</u>	<u>202,858</u>	<u>202,858</u>	<u>172,534</u>	<u>30,324</u>
Ending Budgetary Fund Balance	<u>\$ 383,374</u>	<u>\$ 333,138</u>	<u>\$ 1,012,106</u>	<u>\$ 678,968</u>	<u>\$ (40,587)</u>	<u>\$ (40,587)</u>	<u>\$ 11,208</u>	<u>\$ 51,795</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(671,432)				(7,435)	
Investments at Fair Value			667,741				7,395	
Accounts Payable			(11,292)				(1,208)	
Accrued Payroll			(56,686)				0	
Due to Other Funds			(22,517)				0	
Fund Balance - GAAP Basis			<u>\$ 917,920</u>				<u>\$ 9,960</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2007, has been presented at the bottom of the Budgetary Comparison Schedule shown on the previous page of RSI and includes data presented, on this basis, for the fiscal year, and for adjustments made in the one-month lapse period, July 1 through July 31.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information

Schedule 1

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2007			2006		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 1,000,000	866,674	133,326	1,000,000	936,628	63,372
Refunds of excess interest from the linked deposit program	100	0	100	3,000	0	3,000
Total General Revenue Fund	1,000,100	866,674	133,426	1,003,000	936,628	66,372
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,457,149	1,402,659	54,490	1,337,950	1,334,149	3,801
Expense and equipment	270,655	251,182	19,473	238,641	236,364	2,277
Overtime	1,940	1,940	0	3,500	3,500	0
Treasurer State Owned Building	176,121	176,121	0	0	0	0
Total Treasurer's General Operations Fund	1,905,865	1,831,902	73,963	1,580,091	1,574,013	6,078
TREASURER'S INFORMATION FUND						
Personal service	0	0	0	89,691	89,660	31
Expense and equipment	8,000	2,454	5,546	25,000	2,116	22,884
Total Treasurer's Information Fund	8,000	2,454	5,546	114,691	91,776	22,915
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	21,659	21,659	0	20,826	20,826	0
Expense and equipment	225,000	126,437	98,563	225,000	125,126	99,874
Total Central Check Mailing Service Revolving Fund	246,659	148,096	98,563	245,826	145,952	99,874
SECOND INJURY FUND						
Personal service	39,390	39,390	0	37,875	37,875	0
Expense and equipment	3,280	3,280	0	3,280	3,280	0
Total Second Injury Fund	42,670	42,670	0	41,155	41,155	0
ABANDONED FUND ACCOUNT FUND						
Personal service	446,055	436,138	9,917	455,480	445,527	9,953
Expense and equipment	98,600	76,145	22,455	98,600	95,051	3,549
Overtime	41,645	41,645	0	14,000	13,907	93
Advertising and auctions	561,000	551,691	9,309	513,001	508,412	4,589
Payment of claims for abandoned property	23,200,000	21,635,424	1,564,576	20,000,000	19,462,594	537,406
Total Abandoned Fund Account Fund	24,347,300	22,741,043	1,606,257	21,081,081	20,525,491	555,590
Total All Funds	\$ 27,550,594	25,632,839	1,917,755	24,065,844	23,315,015	750,829

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2007	2006
Personal service	\$ 1,943,431	1,945,444
Travel	14,752	7,639
Expense and equipment	403,642	255,730
Communications expense	39,305	39,322
Professional services	518,410	504,580
Equipment repairs and maintenance	63,620	86,335
Equipment and software purchases	147,581	76,743
Abandoned fund claim payments	21,635,424	19,462,594
Replacement of outlawed checks	866,674	936,628
Total Expenditures	<u>\$ 25,632,839</u>	<u>23,315,015</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
YEAR ENDED JUNE 30, 2007

	Furniture and Equipment	Motor Vehicles	Total General Fixed Assets
Balance, June 30, 2006	\$ 741,128	16,582	757,710
Additions	100,020	0	100,020
Dispositions	(20,052)	0	(20,052)
Balance, June 30, 2007	<u>\$ 821,096</u>	<u>16,582</u>	<u>837,678</u>

Fund of Acquisition	Balance June 30, 2007
General Revenue Fund-State	\$ 630,733
Treasurer's General Operations Fund	128,562
Central Check Mailing Service Revolving Fund	38,054
Second Injury Fund	2,093
Abandoned Fund Account Fund	36,537
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 837,678</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2007	2006	2005	2004	2003
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 1,260,314	200,000	372,704	12,247,705	(5,845,909)
Central Bank	(17,643,721)	(124,548,876)	(130,664,664)	(58,532,570)	(133,946,937)
Premier Bank	28,400	26,350	70,273	58,705	17,025
Commerce Bank	46,689	330,495	0	0	0
Collection bank accounts	5,100,011	4,417,807	5,570,434	3,953,086	3,640,880
Bank of New York Midwest	63,555	27,739	(153,823)	0	0
UMB Bank	(157,866,914)	0	0	0	0
Total Demand Deposits	(169,011,666)	(119,546,485)	(124,805,076)	(42,273,074)	(136,134,941)
Pooled Investments:					
Time deposits	725,919,659	550,500,850	410,099,652	373,397,355	326,995,334
U.S. government securities	1,881,814,564	1,332,339,487	1,517,146,443	1,678,892,718	1,701,713,339
Commercial paper and banker acceptances	1,083,140,450	927,024,030	511,579,780	516,179,983	516,971,919
Repurchase agreements	142,474,000	306,261,001	256,490,000	356,298,000	361,795,000
Total Pooled Investments	3,833,348,673	3,116,125,368	2,695,315,875	2,924,768,056	2,907,475,592
Total Demand Deposits and Pooled Investments	3,664,337,007	2,996,578,883	2,570,510,799	2,882,494,982	2,771,340,651
Special Fund Dedicated Investments:					
U.S. government securities	31,849,243	23,582,012	22,490,817	22,307,523	19,513,106
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	31,854,373	23,587,142	22,495,947	22,312,653	19,518,236
Total Appropriated Funds	3,696,191,380	3,020,166,025	2,593,006,746	2,904,807,635	2,790,858,887
NONAPPROPRIATED FUNDS					
Demand deposits	20,328	3,880	12,690,878	12,326,160	36,701
Repurchase agreements	21,996,084	2,911,106	5,694,294	8,329,000	19,406,000
US government securities	4,910,938	0	0	15,105,450	64,522,948
Commercial Paper and banker acceptances	24,977,950	0	0	0	0
Time deposits	50,000,000	0	0	0	0
Total Nonappropriated Funds	101,905,300	2,914,986	18,385,172	35,760,610	83,965,649
Total Cash and Investments	\$ 3,798,096,680	3,023,081,011	2,611,391,918	2,940,568,245	2,874,824,536

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

		Year Ended June 30,				
		2007	2006	2005	2004	2003
INTEREST RECEIPTS						
General and special funds	\$	146,727,651	97,587,051	38,422,115	31,319,021	42,302,336
Debt retirement funds		15,978,846	12,820,914	1,828,999	1,684,923	2,320,783
Total Appropriated Funds		162,706,497	110,407,965	40,251,114	33,003,944	44,623,119
Trust funds		4,025,495	187,649	273,652	754,646	2,290,124
Total Interest Receipts	\$	166,731,992	110,595,614	40,524,766	33,758,590	46,913,243

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Notes to the Supplementary Information

OFFICE OF STATE TREASURER
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000.

Equipment is depreciated using the straight-line method of depreciation over a useful life of five years. Accumulated depreciation on general capital assets at June 30, 2007, was \$710,882.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper, issued by domestic corporations, which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than ninety days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 1242 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

Except for \$277,854, the State Treasurer's deposits at June 30, 2007, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2007, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Repurchase agreements	\$ 164,486,000	164,486,000
U.S. government securities	1,886,725,800	1,900,174,477
Commercial paper	1,108,125,671	1,107,758,043
Other investments	31,854,373	31,604,421
Total Investments	\$ 3,191,191,844	3,204,022,941

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of one central demand account at June 30, 2007, two at June 30, 2006, four at June 30, 2005, and twenty-three at June 30, 2004. The demand deposits with Central Bank consist of thirty-one central demand accounts at June 30, 2007, thirty-four at June 30, 2006, thirty-three at June 30, 2005, fourteen at June 30, 2004, and thirteen at June 30, 2003. The demand deposits with Premier Bank consist of two central demand accounts at June 30, 2007, 2006, 2005, 2004, and 2003. The demand

deposits with Bank of New York consist of two central demand accounts at June 30, 2007, eight at June 30, 2006, and two at June 30, 2005. The demand deposits with Commerce Bank consist of five central demand accounts at June 30, 2007 and 2006. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2007. Demand deposit bank balances were \$17,418, \$200,000, \$418,917, \$20,388,987, and \$11,072,902 at June 30, 2007 2006, 2005, 2004, and 2003 for US Bank; and \$13,586,834, \$16,490,088, \$11,720,611, \$77,114,881, and \$85,274,839 at June 30, 2007, 2006, 2005, 2004, and 2003 for Central Bank; and \$29,362, \$26,347, \$71,568, \$58,800, and \$17,018 at June 30, 2007, 2006, 2005, 2004, and 2003 for Premier Bank; and \$253 at June 30, 2007 and \$0 at June 30, 2006 and 2005 for Bank of New York Midwest; and \$10,974 at June 30, 2007 for UMB Bank; and \$163,448 and \$408,003 at June 30, 2007 and 2006 for Commerce Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts at various banks throughout the state. The General Concentration and Conservation Concentration Accounts were at Central Bank at June 30, 2007, 2006, 2005, 2004, and 2003. The Lottery Concentration Account was at Central Bank at June 30, 2007, 2006, and 2005 and at US Bank at June 30, 2004 and 2003. Collection account bank balances were approximately \$5,107,667, \$4,448,114, \$6,038,641, \$4,889,141, and \$4,420,803 at June 30, 2007, 2006, 2005, 2004, and 2003.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

5. Special Fund Dedicated Investments

Due to a change in the state's accounting system, as of July 1, 1999, the State Treasurer was assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF STATE TREASURER
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Collateral Securities

State funds totaling \$277,854 were not covered by collateral securities as of June 30, 2007. The State Treasurer's Office (STO) has time deposits and collection accounts in banks throughout the state. Prior to the deposit of monies into the banks, the banks must have adequate securities pledged to cover the deposits. Those securities are recorded in the STO collateral security system. Internal audits of the collateral securities system by the STO have not ensured that collateral securities are pledged in accordance with STO policies.

- A. We noted time deposits in one bank were under collateralized by \$55,773. This under collateralization was not detected in a timely manner by the STO because internal audits of the collateral securities system were not being performed in accordance with established policies and procedures.

We reviewed the audits performed by the STO Internal Audit Section of four custodial banks for the quarter ended June 30, 2007. The under collateralization we noted occurred because one of the STO's custodial banks released collateral without the consent or notification of the STO. According to the STO's contracts with the custodial banks, securities held for the STO cannot be released, transferred, liquidated, or disposed of without the written authorization of the STO. Replacement of securities requires the STO's prior verbal consent. After we noted this situation, the STO contacted the bank to inform them this was not in accordance with the contract.

Section 30.270, RSMo, requires the market value of securities pledged to be at least equal to the monies on deposit in the bank, less any Federal Deposit Insurance Corporation (FDIC) coverage. The STO's Internal Audit section is responsible for performing audits of the collateral security system to ensure the collateral securities held by the custodial banks agree to the STO's records of pledged collateral security. Each custodial bank is audited each quarter by comparing collateral listings received from the custodial banks with STO records. In September 2007, the STO discovered the collateral security audits were not being performed according to established policies and procedures. This problem allowed the situation noted above to go undetected for several months. Since September 2007, the STO has taken steps to ensure the internal audits of collateral security are performed correctly in accordance with policies and procedures.

- B. In another instance, one of the banks was under collateralized by \$222,081 as of June 30, 2007. This under collateralization was due to the book balance on the STO's system being understated because a planned withdrawal was put on hold

by the bank. The STO collateral system is supposed to generate a daily exception listing for banks that appear to be under collateralized which would have brought this problem to their attention if the balance on the STO system was accurate. However, no exception listing was generated for this bank, and the STO was not aware this bank was under collateralized until we brought it to their attention.

To ensure the state's funds are adequately secured in the event of a bank failure, the STO should ensure the above noted problems are corrected and policies and procedures are improved to allow the STO to discover and correct these problems in a more timely manner.

A situation similar to part A was noted in our 2004 audit. The STO appeared to have made improvements in this area, but we again noted discrepancies while performing the current audit.

WE RECOMMEND the STO:

- A. Ensure collateral security audits are being performed adequately to ensure under collateralizations are discovered in a timely manner. In addition, the office should ensure custodial banks adhere to contractual obligations.
- B. Establish procedures to ensure the balance per the STO's collateral security computer system is in agreement with the bank's balance and potential collateral issues are identified timely.

AUDITEE'S RESPONSE

- A. *We concur with this finding and recommendation. The STO made comprehensive revisions of policies and procedures for the Internal Audit Section's collateral security reviews which became effective as of September 30, 2007. We anticipate no further problems in the performance of these audits.*

We would also note that, pursuant to protections within our contracts with custodial banks, any time a custodial bank releases a security without proper authorization from our office, as was the case in this finding, the custodial bank is liable for any loss that might otherwise have been incurred.

- B. *We concur with this finding and recommendation. We identified an application error within our collateral security computer system that was immediately corrected by our Information Technology division, and controls have also been implemented allowing the collateral security computer system to be more closely monitored.*

We again would note that, pursuant to protections within our contracts with depositary and pledging banks, any time a depositary or pledging bank does not maintain at least one hundred percent collateral on deposits, the bank is liable for any loss that might otherwise have been incurred.

Leave taken by the Deputy State Treasurer to work on the State Treasurer's campaign for Governor was not reported in a timely manner.

During the period January 23 through April 15, 2008, the Deputy State Treasurer indicated that he performed work on the State Treasurer's campaign for Governor and took vacation leave from his state job when working on the campaign. During this time period, he remained an active state employee and received his full salary and benefits, including the accrual of vacation and sick leave. Although the Deputy State Treasurer was working on political activity, he reported no vacation leave taken during the period of January 23 through March 31, 2008, to the office's payroll section. The office's policies and practices generally require all employees (except the State Treasurer) to submit semi-monthly time sheets indicating hours worked and leave taken to support the office's payroll expenditures. During the period January 23 through March 31, 2008, the Deputy did not submit any official signed or completed time sheets. However, in April 2008, completed time sheets were provided by the Deputy for the abovementioned period.

Using the completed time sheets, on April 17, 2008, the STO recorded 173 hours of vacation leave taken and 16 hours of sick leave taken on the state's payroll system for the Deputy State Treasurer during the period of January 23 through March 31, 2008. This leave was recorded by processing numerous prior period adjustments. On this same date, 52 hours of vacation leave taken and 32 hours of sick leave taken was recorded for the period April 1 through April 15, 2008. When leave was not taken during these periods, the Deputy was apparently working at his state job. Had all leave taken by the Deputy State Treasurer been reported timely and accurately, no prior period adjustments would have been necessary.

We questioned the Deputy State Treasurer about his untimely reporting of leave. The Deputy indicated that his leave had not been reported timely but he stated his leave was reported accurately. Considering the timing of when the Deputy's leave was ultimately reported, it appears these actions may have been prompted in part by inquiries from the media.

All state employees should report all time worked and leave taken accurately and timely for the applicable pay period to reduce the need for prior period adjustments and eliminate the reliance on recollection of hours worked and leave taken weeks or months after the actual occurrence. Furthermore, there is no provision that exists in state law that allows any state official to use state resources for non-official (personal or political) purposes. When staff are splitting time between official and non-official functions, the State Treasurer must ensure that state appropriations and all other state resources are used only for official duties of the office.

WE RECOMMEND the State Treasurer ensure employees accurately report the time worked on state business and leave taken, ensure all appropriate and necessary adjustments have been made for past non-official duties performed by office staff, and ensure that state appropriations and all other state resources of the office are used only for official duties.

AUDITEE'S RESPONSE

We concur with this finding and recommendation.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U. S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks; and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

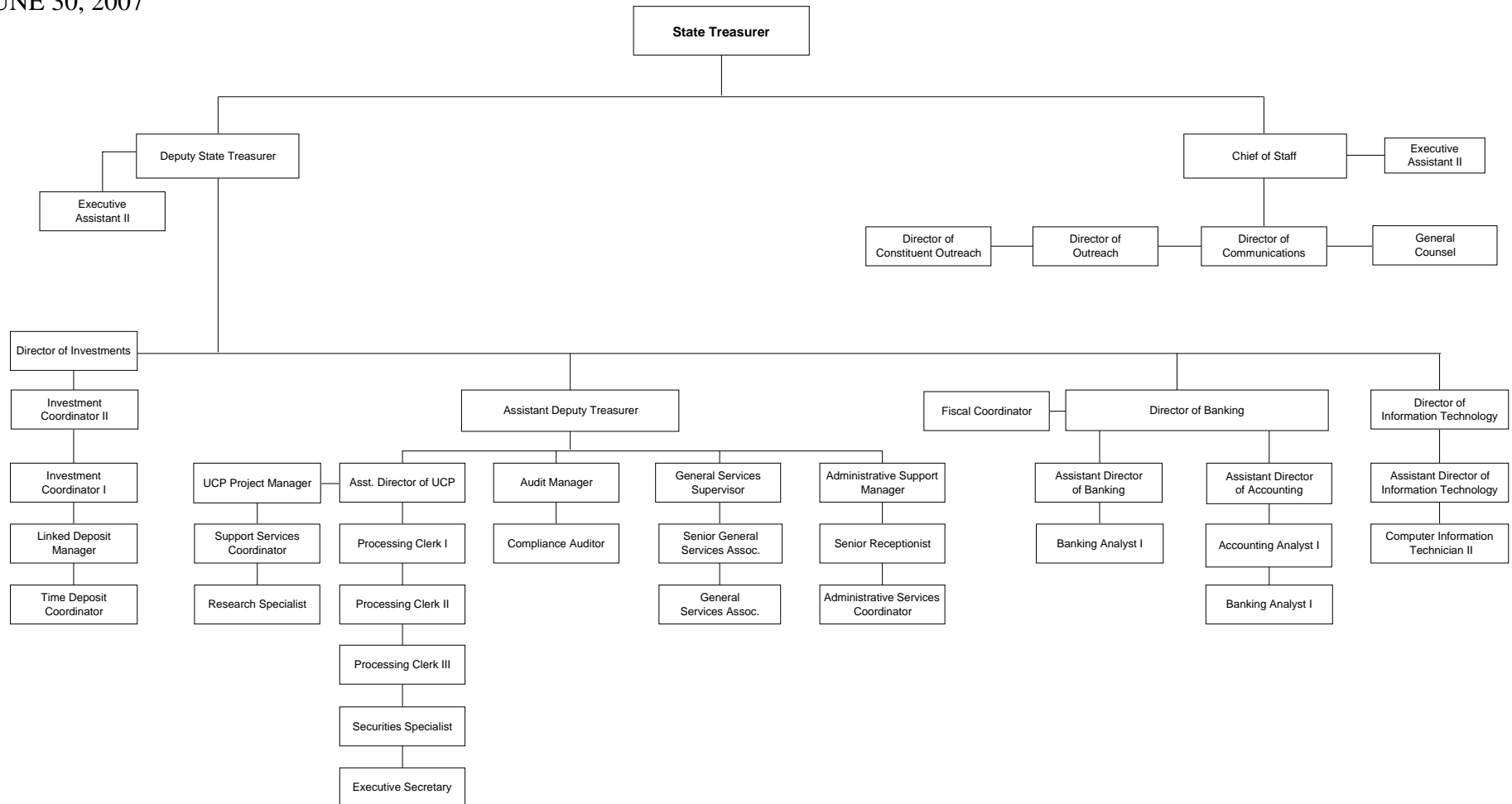
The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

Sarah Steelman became Missouri's forty-fourth State Treasurer when she took the oath of office on January 10, 2005. Her term will expire in January 2009.

As of June 30, 2007, the office had forty-seven full-time positions and five part-time positions to assist in the accomplishment of its mission. An organization chart follows.

OFFICE OF STATE TREASURER
ORGANIZATION CHART
JUNE 30, 2007





Susan Montee, CPA
Missouri State Auditor

Henry County



May 2008

Report No. 2008-31

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Henry, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were overstated by \$204,024 and \$123,568 for the years ended December 31, 2006 and 2005, respectively.

The county was awarded an Edward Byrne Memorial Formula Grant to fund expenses of the West Central Drug Task Force and for other law enforcement purposes. Adequate documentation was not retained to support payroll expenditures totaling \$70,420 that were reimbursed from the grant. In addition, adequate documentation was not maintained to support fuel used by vehicles of the West Central Drug Task Force and Sheriff's office totaling \$ 16,164 that was reimbursed through the grant.

The county did not always solicit bids nor was bid documentation always retained for various purchases. Adequate supporting documentation was not retained for some credit card purchases. State expense reimbursements were not always claimed timely, and the county did not always enter into formal contracts.

Budgets were not prepared for some funds, and actual disbursements exceeded budgeted amounts for several funds. The county has been significantly overestimating the amounts budgeted for Road and Bridge fund expenditures, and the purpose of numerous transfers made between funds by the Sheriff was unclear and was not always documented.

An adequate review of employee timesheets was not always performed by the County Clerk's office or the supervisory official, and as a result, numerous errors went unidentified. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained, and leave records maintained by each office were not always accurate. Several instances were identified where compensatory time (overtime) earned was not being calculated in accordance with the county's personnel policy.

Controls and procedures over the Sheriff's inmate and commissary funds need improvement. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, numerous purchases made from the inmate and commissary account do not

(over)

YELLOW SHEET

appear to be prudent or necessary uses of public or inmate funds, and a system for tracking the profit and loss from the sales of commissary has not been established. Overall bank reconciliation procedures are lacking.

Procedures have not been established by the Sheriff to track the costs of conducting carry concealment classes. Monies received by the Sheriff's office are not deposited intact or in a timely manner. The reconciled bank balance of the Sheriff's fee account was negative at December 31, 2006 and did not agree to the related liabilities listing maintained, resulting in a shortage of \$2,800. The Sheriff also lacked supporting documentation for several disbursements under his control. In addition, controls over seized property are in need of improvement.

The Ex-Officio County Collector did not include all activity on her annual settlement, and did not distribute protested taxes in a timely manner. The Ex-Officio County Collector did not correctly calculate and distribute delinquent tax and surtax commissions, and Proposition C ratios were not used to calculate the county's assessment withholdings on delinquent taxes.

Because the Health Center board did not adequately monitor the financial condition of the health center, it was not determined that various accounting records of the health center were inaccurate (including the 2006 and 2005 budgets) and numerous recording errors went undetected or unreviewed. The health center did not effectively monitor the balances of its bank accounts and issued checks when sufficient funds were not available, resulting in \$125 in overdraft charges. Expenditures exceeded budgeted amounts prior to preparation of a budget amendment.

The Health Center purchased its property and employee health insurance through a firm owned by one of its board members, and also paid the board member for grounds keeping services, which created the appearance of a conflict of interest. The health center did not adequately review the design of an RV for use as a mobile dental unit or estimate the total cost of the project to ensure it was feasible prior to entering into a purchasing contract. A vendor was overpaid because the health center does not adequately reconcile monthly vendor statements with the related vendor invoices. Other concerns with the health center included improvements needed in payroll and board minute procedures.

Also included in the report are recommendations related to county expenditures, financial statements, road maintenance plans and public access policy, the County Assessor's contract, county property records, fuel records and passport fees. The audit also suggested improvements in the procedures of the Sheriff, Public Administrator, Circuit Clerk, Juvenile Office, Prosecuting Attorney, Recorder of Deeds, County Clerk, County Assessor, Health Center Board, and Senior Citizens Service Board.

All reports are available on our Web site: www.auditor.mo.gov

HENRY COUNTY

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Henry County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Henry County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 8, 2008, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Henry County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

January 8, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Jay Ross
Audit Staff:	Roberta Bledsoe
	Candace Copley
	Natalie McNish
	Jason Kunau
	Mark Applegate
	Adam Lotz



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Henry County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Henry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 8, 2008

Financial Statements

Exhibit A-1

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 224,210	2,364,054	2,314,112	274,152
Special Road and Bridge	1,115,622	1,017,073	1,034,059	1,098,636
Assessment	1,132	288,628	277,839	11,921
Central Emergency Communications	40,260	406,263	401,239	45,284
Law Enforcement Training	400	9,966	10,101	265
Prosecuting Attorney Training	101	1,551	1,377	275
Prosecuting Attorney Bad Check	14,534	51,423	48,589	17,368
Prosecuting Attorney Delinquent Tax	125	1,861	1,594	392
Tri-County Child Support	49	102,019	94,073	7,995
Emergency 911	564,155	291,321	324,929	530,547
Victims of Domestic Violence	375	15,109	15,458	26
Local Use Tax	96,461	87,545	115,629	68,377
Local Emergency Planning Commission	6,089	6,351	4,270	8,170
D.A.R.E	4,734	1,579	6,299	14
Corps of Engineers	9,035	72,483	81,449	69
Recorder Records, Storage, and Preservation	1,689	18,300	16,519	3,470
Federal Grant	9,965	130,155	136,475	3,645
Sheriff Special	3,709	58,787	60,919	1,577
Sheriff Civil	2,126	33,854	31,527	4,453
Sheriff Revolving	138	5,862	3,787	2,213
Election Services	4,065	5,879	3,518	6,426
LOG JAM CDBG	36,317	30	0	36,347
Law Enforcement Contract	1,664	301,462	294,243	8,883
Tax Maintenance	22,239	31,969	19,709	34,499
County Grant	20,530	114,689	114,606	20,613
Victims Advocate	0	32,086	27,086	5,000
Senior Citizens Service	0	18,542	0	18,542
Health Center	288,955	648,181	584,422	352,714
Circuit Clerk Interest	8,159	1,279	2,000	7,438
Law Library	4,035	11,324	11,291	4,068
Passport	2,315	33,964	31,869	4,410
West Central Drug Task Force	920	3,011	3,876	55
Total	\$ 2,484,108	6,166,600	6,072,864	2,577,844

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 284,291	2,139,742	2,199,823	224,210
Special Road and Bridge	786,520	1,028,920	699,818	1,115,622
Assessment	4,038	272,624	275,530	1,132
Central Emergency Communications	5,139	434,205	399,084	40,260
Law Enforcement Training	544	7,812	7,956	400
Prosecuting Attorney Training	545	1,348	1,792	101
Prosecuting Attorney Bad Check	18,517	39,444	43,427	14,534
Prosecuting Attorney Delinquent Tax	628	1,697	2,200	125
Tri-County Child Support	6,228	85,295	91,474	49
Emergency 911	662,704	307,154	405,703	564,155
Victims of Domestic Violence	16	17,075	16,716	375
Local Use Tax	40,248	84,913	28,700	96,461
Local Emergency Planning Commission	6,238	4,835	4,984	6,089
D.A.R.E	4,257	8,195	7,718	4,734
Corps of Engineers	794	72,932	64,691	9,035
Recorder Records, Storage, and Preservation	5,846	18,879	23,036	1,689
Federal Grant	6,738	144,124	140,897	9,965
Sheriff Special	2,778	45,252	44,321	3,709
Sheriff Civil	1,511	29,367	28,752	2,126
Sheriff Revolving	270	8,022	8,154	138
Election Services	4,740	2,627	3,302	4,065
LOG JAM CDBG	36,317	0	0	36,317
Law Enforcement Contract	8,275	295,246	301,857	1,664
Tax Maintenance	24,821	29,423	32,005	22,239
County Grant	19,499	64,736	63,705	20,530
Health Center	204,578	667,118	582,741	288,955
Circuit Clerk Interest	6,207	2,044	92	8,159
Law Library	2,023	11,545	9,533	4,035
Passport	1,026	22,053	20,764	2,315
West Central Drug Task Force	4,356	139,029	142,465	920
Total	\$ 2,149,692	5,985,656	5,651,240	2,484,108

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,410,548	6,129,625	(280,923)	5,874,635	5,824,574	(50,061)
DISBURSEMENTS	7,163,668	6,037,119	1,126,549	6,651,615	5,488,011	1,163,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	(753,120)	92,506	845,626	(776,980)	336,563	1,113,543
CASH, JANUARY 1	2,474,213	2,480,873	6,660	2,142,830	2,144,310	1,480
CASH, DECEMBER 31	1,721,093	2,573,379	852,286	1,365,850	2,480,873	1,115,023
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	57,000	68,272	11,272	48,000	57,742	9,742
Sales taxes	1,170,000	1,169,429	(571)	1,142,000	1,176,414	34,414
Intergovernmental	381,111	366,936	(14,175)	366,793	336,205	(30,588)
Charges for services	484,964	550,615	65,651	510,975	493,583	(17,392)
Interest	5,000	6,248	1,248	4,000	6,081	2,081
Other	13,800	26,204	12,404	12,500	12,556	56
Transfers in	176,350	176,350	0	70,690	57,161	(13,529)
Total Receipts	2,288,225	2,364,054	75,829	2,154,958	2,139,742	(15,216)
DISBURSEMENTS						
County Commissioner	114,011	113,741	270	111,124	109,603	1,521
County Clerk	95,238	93,740	1,498	92,028	89,624	2,404
Elections	108,140	101,053	7,087	31,920	29,969	1,951
Buildings and grounds	125,532	108,148	17,384	120,473	116,133	4,340
Employee fringe benefit	200,000	180,595	19,405	231,200	202,906	28,294
County Treasurer	88,911	88,303	608	89,340	86,960	2,380
County Collector	4,000	3,788	212	4,000	3,710	290
Recorder of Deeds	96,416	104,780	(8,364)	94,312	96,596	(2,284)
Circuit Clerk	29,000	27,479	1,521	29,000	28,314	686
Court administration	65,722	64,486	1,236	54,901	46,982	7,919
Public Administrator	1,417	1,407	10	900	899	1
Sheriff	329,040	374,105	(45,065)	316,668	332,363	(15,695)
Jail	230,870	268,640	(37,770)	217,123	234,390	(17,267)
Prosecuting Attorney	168,927	167,867	1,060	165,203	159,149	6,054
Juvenile Offices	371,380	282,171	89,209	353,546	327,621	25,925
County Coroner	30,980	29,423	1,557	29,455	31,048	(1,593)
Insurance	56,000	43,038	12,962	60,000	48,809	11,191
University Extension	48,000	48,000	0	46,500	46,500	0
Telephone and fax service	42,500	37,774	4,726	40,000	39,187	813
Public health and welfare service	5,600	3,500	2,100	5,600	3,500	2,100
Other	85,740	64,124	21,616	96,530	51,110	45,420
Transfers out	135,799	107,950	27,849	132,108	114,450	17,658
Emergency Fund	70,150	0	70,150	66,650	0	66,650
Total Disbursements	2,503,373	2,314,112	189,261	2,388,581	2,199,823	188,758
RECEIPTS OVER (UNDER) DISBURSEMENTS	(215,148)	49,942	265,090	(233,623)	(60,081)	173,542
CASH, JANUARY 1	224,210	224,210	0	284,291	284,291	0
CASH, DECEMBER 31	9,062	274,152	265,090	50,668	224,210	173,542

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	92,000	97,423	5,423	89,000	92,571	3,571
Intergovernmental	1,047,000	874,390	(172,610)	1,057,200	916,195	(141,005)
Charges for services	5,000	0	(5,000)	5,000	185	(4,815)
Interest	15,000	26,219	11,219	10,000	17,111	7,111
Other	50,500	19,041	(31,459)	50,000	2,858	(47,142)
Total Receipts	1,209,500	1,017,073	(192,427)	1,211,200	1,028,920	(182,280)
DISBURSEMENTS						
Salaries	161,000	148,332	12,668	151,000	143,682	7,318
Employee fringe benefit	53,816	38,535	15,281	57,550	43,752	13,798
Supplies	55,000	44,522	10,478	45,500	34,351	11,149
Insurance	13,000	8,512	4,488	18,000	7,403	10,597
Road and bridge materials	145,000	85,132	59,868	145,000	53,935	91,065
Equipment repair	15,000	10,754	4,246	15,000	1,729	13,271
Equipment purchase	85,000	215,314	(130,314)	85,000	1,995	83,005
Road and bridge construction	917,565	430,708	486,857	899,165	377,401	521,764
Other	9,000	2,250	6,750	9,000	2,250	6,750
Transfers out	50,000	50,000	0	50,000	33,320	16,680
Total Disbursements	1,504,381	1,034,059	470,322	1,475,215	699,818	775,397
RECEIPTS OVER (UNDER) DISBURSEMENTS	(294,881)	(16,986)	277,895	(264,015)	329,102	593,117
CASH, JANUARY 1	1,115,622	1,115,622	0	786,520	786,520	0
CASH, DECEMBER 31	820,741	1,098,636	277,895	522,505	1,115,622	593,117
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	267,533	279,010	11,477	260,907	268,361	7,454
Interest	400	698	298	350	666	316
Other	3,888	4,920	1,032	8,023	3,597	(4,426)
Transfers in	21,000	4,000	(17,000)	14,108	0	(14,108)
Total Receipts	292,821	288,628	(4,193)	283,388	272,624	(10,764)
DISBURSEMENTS						
Assessor	293,623	277,839	15,784	286,388	275,530	10,858
Total Disbursements	293,623	277,839	15,784	286,388	275,530	10,858
RECEIPTS OVER (UNDER) DISBURSEMENTS	(802)	10,789	11,591	(3,000)	(2,906)	94
CASH, JANUARY 1	1,132	1,132	0	4,038	4,038	0
CASH, DECEMBER 31	330	11,921	11,591	1,038	1,132	94

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CENTRAL EMERGENCY COMMUNICATIONS FUND</u>						
RECEIPTS						
Charges for services	143,960	143,960	0	143,960	143,960	0
Interest	200	290	90	130	245	115
Other	0	13	13	0	0	0
Transfers in	300,000	262,000	(38,000)	310,000	290,000	(20,000)
Total Receipts	444,160	406,263	(37,897)	454,090	434,205	(19,885)
DISBURSEMENTS						
Salaries and employee fringe benefit	385,862	349,068	36,794	395,340	343,934	51,406
Office supplies	32,820	32,457	363	31,050	31,632	(582)
Equipment	16,400	12,099	4,301	18,700	13,776	4,924
Mileage and training	10,500	7,615	2,885	10,000	9,742	258
Total Disbursements	445,582	401,239	44,343	455,090	399,084	56,006
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,422)	5,024	6,446	(1,000)	35,121	36,121
CASH, JANUARY 1	40,260	40,260	0	5,139	5,139	0
CASH, DECEMBER 31	38,838	45,284	6,446	4,139	40,260	36,121
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	3,305	3,305	0	3,172	3,172
Charges for services	7,000	6,042	(958)	10,000	4,640	(5,360)
Other	0	619	619	0	0	0
Total Receipts	7,000	9,966	2,966	10,000	7,812	(2,188)
DISBURSEMENTS						
Sheriff	7,300	10,101	(2,801)	10,500	7,956	2,544
Total Disbursements	7,300	10,101	(2,801)	10,500	7,956	2,544
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(135)	165	(500)	(144)	356
CASH, JANUARY 1	400	400	0	544	544	0
CASH, DECEMBER 31	100	265	165	44	400	356
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,500	1,551	(949)	1,600	1,169	(431)
Other	0	0	0	0	179	179
Total Receipts	2,500	1,551	(949)	1,600	1,348	(252)
DISBURSEMENTS						
Prosecuting Attorney	2,601	1,377	1,224	2,145	1,792	353
Total Disbursements	2,601	1,377	1,224	2,145	1,792	353
RECEIPTS OVER (UNDER) DISBURSEMENTS	(101)	174	275	(545)	(444)	101
CASH, JANUARY 1	101	101	0	545	545	0
CASH, DECEMBER 31	0	275	275	0	101	101

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	30,000	48,663	18,663	25,000	34,094	9,094
Transfers in	10,375	2,760	(7,615)	5,000	5,350	350
Total Receipts	40,375	51,423	11,048	30,000	39,444	9,444
DISBURSEMENTS						
Prosecuting Attorney	44,533	39,439	5,094	43,517	30,171	13,346
Transfers out	10,000	9,150	850	5,000	13,256	(8,256)
Total Disbursements	54,533	48,589	5,944	48,517	43,427	5,090
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,158)	2,834	16,992	(18,517)	(3,983)	14,534
CASH, JANUARY 1	14,534	14,534	0	18,517	18,517	0
CASH, DECEMBER 31	376	17,368	16,992	0	14,534	14,534
<u>PROSECUTING ATTORNEY DELIQUENT TAX FUND</u>						
RECEIPTS						
Charges for services	2,875	1,861	(1,014)	2,400	1,697	(703)
Total Receipts	2,875	1,861	(1,014)	2,400	1,697	(703)
DISBURSEMENTS						
Prosecuting Attorney	3,000	1,594	1,406	3,028	2,200	828
Total Disbursements	3,000	1,594	1,406	3,028	2,200	828
RECEIPTS OVER (UNDER) DISBURSEMENTS	(125)	267	392	(628)	(503)	125
CASH, JANUARY 1	125	125	0	628	628	0
CASH, DECEMBER 31	0	392	392	0	125	125
<u>TRI-COUNTY CHILD SUPPORT FUND</u>						
RECEIPTS						
Intergovernmental	89,860	97,819	7,959	81,275	80,039	(1,236)
Other	0	50	50	0	0	0
Transfers in	5,000	4,150	(850)	0	5,256	5,256
Total Receipts	94,860	102,019	7,159	81,275	85,295	4,020
DISBURSEMENTS						
Salaries and employee fringe benefit	77,154	77,016	138	74,853	75,546	(693)
Office supplies	8,750	10,404	(1,654)	10,150	7,734	2,416
Mileage and training	1,500	1,294	206	1,500	1,347	153
Other	2,500	4,599	(2,099)	1,000	1,498	(498)
Transfers out	5,000	760	4,240	0	5,349	(5,349)
Total Disbursements	94,904	94,073	831	87,503	91,474	(3,971)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44)	7,946	7,990	(6,228)	(6,179)	49
CASH, JANUARY 1	49	49	0	6,228	6,228	0
CASH, DECEMBER 31	5	7,995	7,990	0	49	49

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	295,000	277,314	(17,686)	305,000	298,735	(6,265)
Interest	5,000	14,007	9,007	5,000	8,419	3,419
Total Receipts	300,000	291,321	(8,679)	310,000	307,154	(2,846)
DISBURSEMENTS						
Telephone charges	52,000	47,224	4,776	85,000	46,343	38,657
Equipment	85,000	95,600	(10,600)	100,000	151,617	(51,617)
Building maintenance	5,000	4,738	262	30,000	1,414	28,586
Training	2,000	0	2,000	2,000	95	1,905
Other	50,000	5,367	44,633	60,000	6,234	53,766
Transfers out	210,000	172,000	38,000	220,000	200,000	20,000
Total Disbursements	404,000	324,929	79,071	497,000	405,703	91,297
RECEIPTS OVER (UNDER) DISBURSEMENTS	(104,000)	(33,608)	70,392	(187,000)	(98,549)	88,451
CASH, JANUARY 1	564,155	564,155	0	662,704	662,704	0
CASH, DECEMBER 31	460,155	530,547	70,392	475,704	564,155	88,451
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	20,000	13,911	(6,089)	20,000	12,981	(7,019)
Charges for services	1,400	1,198	(202)	1,400	1,094	(306)
Transfers in	0	0	0	0	3,000	3,000
Total Receipts	21,400	15,109	(6,291)	21,400	17,075	(4,325)
DISBURSEMENTS						
Salaries and employee fringe benefit	0	0	0	0	2,625	(2,625)
Domestic violence shelter	1,400	1,172	228	1,416	2,363	(947)
Grant expenses	20,000	13,911	6,089	20,000	11,728	8,272
Other	375	375	0	0	0	0
Total Disbursements	21,775	15,458	6,317	21,416	16,716	4,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	(375)	(349)	26	(16)	359	375
CASH, JANUARY 1	375	375	0	16	16	0
CASH, DECEMBER 31	0	26	26	0	375	375
<u>LOCAL USE TAX FUND</u>						
RECEIPTS						
Local use taxes	75,000	86,896	11,896	65,000	84,590	19,590
Interest	300	649	349	300	323	23
Total Receipts	75,300	87,545	12,245	65,300	84,913	19,613
DISBURSEMENTS						
Courthouse maintenance	10,000	4,495	5,505	40,000	0	40,000
Engineering	0	0	0	1,000	0	1,000
Other	45,000	1,134	43,866	45,000	13,300	31,700
Transfers out	110,000	110,000	0	0	15,400	(15,400)
Total Disbursements	165,000	115,629	49,371	86,000	28,700	57,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(89,700)	(28,084)	61,616	(20,700)	56,213	76,913
CASH, JANUARY 1	96,461	96,461	0	40,248	40,248	0
CASH, DECEMBER 31	6,761	68,377	61,616	19,548	96,461	76,913

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	6,500	6,351	(149)	8,000	4,835	(3,165)
Total Receipts	6,500	6,351	(149)	8,000	4,835	(3,165)
DISBURSEMENTS						
Emergency management	9,715	4,270	5,445	14,215	4,984	9,231
Total Disbursements	9,715	4,270	5,445	14,215	4,984	9,231
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,215)	2,081	5,296	(6,215)	(149)	6,066
CASH, JANUARY 1	6,089	6,089	0	6,238	6,238	0
CASH, DECEMBER 31	2,874	8,170	5,296	23	6,089	6,066
D.A.R.E FUND						
RECEIPTS						
Intergovernmental	0	575	575	0	1,537	1,537
Other	3,200	1,004	(2,196)	4,000	6,658	2,658
Total Receipts	3,200	1,579	(1,621)	4,000	8,195	4,195
DISBURSEMENTS						
Sheriff	1,500	5,299	(3,799)	4,000	7,718	(3,718)
Transfers out	6,000	1,000	5,000	0	0	0
Total Disbursements	7,500	6,299	1,201	4,000	7,718	(3,718)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,300)	(4,720)	(420)	0	477	477
CASH, JANUARY 1	4,734	4,734	0	4,257	4,257	0
CASH, DECEMBER 31	434	14	(420)	4,257	4,734	477
CORPS OF ENGINEERS FUND						
RECEIPTS						
Intergovernmental	37,500	56,262	18,762	50,821	35,942	(14,879)
Other	0	12,571	12,571	0	27,540	27,540
Transfers in	12,000	3,650	(8,350)	6,000	9,450	3,450
Total Receipts	49,500	72,483	22,983	56,821	72,932	16,111
DISBURSEMENTS						
Salaries and employee fringe benefit	35,291	51,375	(16,084)	28,989	23,920	5,069
Equipment	16,000	18,523	(2,523)	16,000	28,305	(12,305)
Uniforms	1,000	5,251	(4,251)	1,500	3,966	(2,466)
Transfers out	6,000	6,300	(300)	6,000	8,500	(2,500)
Total Disbursements	58,291	81,449	(23,158)	52,489	64,691	(12,202)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,791)	(8,966)	(175)	4,332	8,241	3,909
CASH, JANUARY 1	9,035	9,035	0	794	794	0
CASH, DECEMBER 31	244	69	(175)	5,126	9,035	3,909

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER RECORDS, STORAGE, AND PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	18,800	18,241	(559)	19,000	18,781	(219)
Interest	0	59	59	0	98	98
Total Receipts	18,800	18,300	(500)	19,000	18,879	(121)
DISBURSEMENTS						
Recorder of Deeds	10,000	6,169	3,831	3,700	10,195	(6,495)
Transfers out	10,350	10,350	0	16,690	12,841	3,849
Total Disbursements	20,350	16,519	3,831	20,390	23,036	(2,646)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,550)	1,781	3,331	(1,390)	(4,157)	(2,767)
CASH, JANUARY 1	1,689	1,689	0	5,846	5,846	0
CASH, DECEMBER 31	139	3,470	3,331	4,456	1,689	(2,767)
<u>FEDERAL GRANT FUND</u>						
RECEIPTS						
Intergovernmental	216,776	100,266	(116,510)	64,173	134,892	70,719
Other	58,945	29,889	(29,056)	0	6,232	6,232
Transfers in	0	0	0	0	3,000	3,000
Total Receipts	275,721	130,155	(145,566)	64,173	144,124	79,951
DISBURSEMENTS						
Salaries and employee fringe benefit	191,552	86,915	104,637	43,342	98,002	(54,660)
Vehicle maintenance and lease	42,200	18,531	23,669	13,703	23,523	(9,820)
Equipment	18,434	8,703	9,731	0	5,835	(5,835)
Training	1,000	0	1,000	1,000	0	1,000
Office expenditures	21,737	22,326	(589)	6,128	11,537	(5,409)
Transfers out	0	0	0	0	2,000	(2,000)
Total Disbursements	274,923	136,475	138,448	64,173	140,897	(76,724)
RECEIPTS OVER (UNDER) DISBURSEMENTS	798	(6,320)	(7,118)	0	3,227	3,227
CASH, JANUARY 1	9,965	9,965	0	6,738	6,738	0
CASH, DECEMBER 31	10,763	3,645	(7,118)	6,738	9,965	3,227
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Intergovernmental	26,648	47,487	20,839	34,147	33,252	(895)
Transfers in	12,799	11,300	(1,499)	11,898	12,000	102
Total Receipts	39,447	58,787	19,340	46,045	45,252	(793)
DISBURSEMENTS						
Salaries and employee fringe benefit	0	7,480	(7,480)	0	5,031	(5,031)
Special projects	41,199	53,439	(12,240)	44,003	39,290	4,713
Total Disbursements	41,199	60,919	(19,720)	44,003	44,321	(318)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,752)	(2,132)	(380)	2,042	931	(1,111)
CASH, JANUARY 1	3,709	3,709	0	2,778	2,778	0
CASH, DECEMBER 31	1,957	1,577	(380)	4,820	3,709	(1,111)

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FUND</u>						
RECEIPTS						
Charges for services	25,000	33,854	8,854	26,000	27,367	1,367
Transfers in	0	0	0	0	2,000	2,000
Total Receipts	25,000	33,854	8,854	26,000	29,367	3,367
DISBURSEMENTS						
Vehicle leases	27,000	22,727	4,273	24,000	28,752	(4,752)
Transfers out	0	8,800	(8,800)	2,000	0	2,000
Total Disbursements	27,000	31,527	(4,527)	26,000	28,752	(2,752)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	2,327	4,327	0	615	615
CASH, JANUARY 1	2,126	2,126	0	1,511	1,511	0
CASH, DECEMBER 31	126	4,453	4,327	1,511	2,126	615
<u>SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Charges for services	5,000	5,862	862	6,300	7,372	1,072
Other	0	0	0	0	650	650
Total Receipts	5,000	5,862	862	6,300	8,022	1,722
DISBURSEMENTS						
Sheriff	5,000	3,787	1,213	6,000	8,154	(2,154)
Total Disbursements	5,000	3,787	1,213	6,000	8,154	(2,154)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,075	2,075	300	(132)	(432)
CASH, JANUARY 1	138	138	0	270	270	0
CASH, DECEMBER 31	138	2,213	2,075	570	138	(432)
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	1,000	0	(1,000)	1,000	0	(1,000)
Charges for services	6,250	5,879	(371)	2,750	2,627	(123)
Total Receipts	7,250	5,879	(1,371)	3,750	2,627	(1,123)
DISBURSEMENTS						
Salaries	7,000	3,314	3,686	4,845	1,869	2,976
Training	1,500	204	1,296	1,500	1,333	167
Other	2,800	0	2,800	2,000	100	1,900
Total Disbursements	11,300	3,518	7,782	8,345	3,302	5,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,050)	2,361	6,411	(4,595)	(675)	3,920
CASH, JANUARY 1	4,065	4,065	0	4,740	4,740	0
CASH, DECEMBER 31	15	6,426	6,411	145	4,065	3,920

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOG JAM CDBG FUND</u>						
RECEIPTS						
Interest	0	30	30	0	0	0
Total Receipts	0	30	30	0	0	0
DISBURSEMENTS						
Other	36,317	0	36,317	36,317	0	36,317
Total Disbursements	36,317	0	36,317	36,317	0	36,317
RECEIPTS OVER (UNDER) DISBURSEMENTS	(36,317)	30	36,347	(36,317)	0	36,317
CASH, JANUARY 1	36,317	36,317	0	36,317	36,317	0
CASH, DECEMBER 31	0	36,347	36,347	0	36,317	36,317
<u>LAW ENFORCEMENT CONTRACT FUND</u>						
RECEIPTS						
Charges for services	287,804	288,917	1,113	287,804	287,862	58
Other	1,000	3,445	2,445	0	4,884	4,884
Transfers in	0	9,100	9,100	0	2,500	2,500
Total Receipts	288,804	301,462	12,658	287,804	295,246	7,442
DISBURSEMENTS						
Salaries and employee fringe benefit	258,881	256,284	2,597	255,344	264,544	(9,200)
Office supplies	4,400	3,520	880	9,900	2,272	7,628
Equipment	23,000	29,661	(6,661)	20,000	32,287	(12,287)
Mileage and training	500	2,831	(2,331)	500	1,894	(1,394)
Other	1,250	1,947	(697)	2,000	860	1,140
Total Disbursements	288,031	294,243	(6,212)	287,744	301,857	(14,113)
RECEIPTS OVER (UNDER) DISBURSEMENTS	773	7,219	6,446	60	(6,611)	(6,671)
CASH, JANUARY 1	1,664	1,664	0	8,275	8,275	0
CASH, DECEMBER 31	2,437	8,883	6,446	8,335	1,664	(6,671)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	29,544	31,969	2,425	30,000	29,397	(603)
Other	0	0	0	0	26	26
Total Receipts	29,544	31,969	2,425	30,000	29,423	(577)
DISBURSEMENTS						
Salaries and employee fringe benefit	7,267	1,144	6,123	5,750	1,065	4,685
Office supplies and equipment	38,433	17,172	21,261	34,800	29,700	5,100
Mileage and training	1,300	1,393	(93)	900	1,108	(208)
Other	0	0	0	0	132	(132)
Total Disbursements	47,000	19,709	27,291	41,450	32,005	9,445
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,456)	12,260	29,716	(11,450)	(2,582)	8,868
CASH, JANUARY 1	22,239	22,239	0	24,821	24,821	0
CASH, DECEMBER 31	4,783	34,499	29,716	13,371	22,239	8,868

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY GRANT FUND</u>						
RECEIPTS						
Intergovernmental	165,000	114,149	(50,851)	59,290	48,928	(10,362)
Interest	100	540	440	0	408	408
Other	10,000	0	(10,000)	15,000	0	(15,000)
Transfer in	0	0	0	0	15,400	15,400
Total Receipts	175,100	114,689	(60,411)	74,290	64,736	(9,554)
DISBURSEMENTS						
Homeland Security	10,000	312	9,688	24,290	39,823	(15,533)
Help America Vote Ac	130,000	114,266	15,734	25,000	23,882	1,118
Other	55,000	28	54,972	44,499	0	44,499
Total Disbursements	195,000	114,606	80,394	93,789	63,705	30,084
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,900)	83	19,983	(19,499)	1,031	20,530
CASH, JANUARY 1	20,530	20,530	0	19,499	19,499	0
CASH, DECEMBER 31	630	20,613	19,983	0	20,530	20,530
<u>VICTIMS ADVOCATE FUND</u>						
RECEIPTS						
Intergovernmental	34,144	27,086	(7,058)			
Transfers in	5,000	5,000	0			
Total Receipts	39,144	32,086	(7,058)			
DISBURSEMENTS						
Salaries and employee fringe benefit	31,763	24,339	7,424			
Mileage and training	2,380	546	1,834			
Other	0	201	(201)			
Transfers out	5,000	2,000	3,000			
Total Disbursements	39,143	27,086	12,057			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1	5,000	4,999			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	1	5,000	4,999			
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property taxes	25,000	18,536	(6,464)			
Other	0	6	6			
Total Receipts	25,000	18,542	(6,458)			
DISBURSEMENTS						
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,000	18,542	(6,458)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	25,000	18,542	(6,458)			

Exhibit B

HENRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	256,000	257,173	1,173	239,410	240,307	897
Intergovernmental	229,274	286,867	57,593	304,721	331,950	27,229
Charges for services	137,100	86,403	(50,697)	62,710	81,407	18,697
Interest	5,000	13,820	8,820	2,300	7,389	5,089
Other	3,648	3,918	270	1,200	6,065	4,865
Total Receipts	631,022	648,181	17,159	610,341	667,118	56,777
DISBURSEMENTS						
Salaries	375,196	362,623	12,573	382,827	374,652	8,175
Employee fringe benefit	88,841	75,363	13,478	74,449	80,680	(6,231)
Office supplies	71,875	80,136	(8,261)	75,275	80,512	(5,237)
Building maintenance	13,000	13,040	(40)	18,000	17,129	871
Equipment	15,800	22,896	(7,096)	7,500	14,572	(7,072)
Mileage and training	16,500	13,369	3,131	15,500	14,851	649
Other	2,900	10,253	(7,353)	1,000	345	655
Unidentified amount	0	6,742	(6,742)	0	0	0
Total Disbursements	584,112	584,422	(310)	574,551	582,741	(8,190)
RECEIPTS OVER (UNDER) DISBURSEMENTS	46,910	63,759	16,849	35,790	84,377	48,587
CASH, JANUARY 1	282,406	288,955	6,549	203,049	204,578	1,529
CASH, DECEMBER 31	329,316	352,714	23,398	238,839	288,955	50,116
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	1,000	1,279	279	1,000	2,044	1,044
Total Receipts	1,000	1,279	279	1,000	2,044	1,044
DISBURSEMENTS						
Circuit Clerk	8,000	2,000	6,000	6,000	92	5,908
Total Disbursements	8,000	2,000	6,000	6,000	92	5,908
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,000)	(721)	6,279	(5,000)	1,952	6,952
CASH, JANUARY 1	8,048	8,159	111	6,256	6,207	(49)
CASH, DECEMBER 31	1,048	7,438	6,390	1,256	8,159	6,903
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	11,500	11,212	(288)	11,500	11,407	(93)
Other	0	112	112	0	138	138
Total Receipts	11,500	11,324	(176)	11,500	11,545	45
DISBURSEMENTS						
Law Library	10,715	11,291	(576)	10,766	9,533	1,233
Total Disbursements	10,715	11,291	(576)	10,766	9,533	1,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	785	33	(752)	734	2,012	1,278
CASH, JANUARY 1	4,035	4,035	0	2,023	2,023	0
CASH, DECEMBER 31	4,820	4,068	(752)	2,757	4,035	1,278

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HENRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Passport Fund and West Central Drug Task Force Fund for the years ended December 31, 2006 and 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2006
Tri-County Child Support Fund	2005
DARE Fund	2005
Corps of Engineers Fund	2006 and 2005
Recorder Records, Storage, and Preservation Fund	2005
Federal Grant Fund	2005
Sheriff Special Fund	2006 and 2005
Sheriff Civil Fund	2006 and 2005
Sheriff Revolving Fund	2005
Law Enforcement Contract Fund	2006 and 2005
Health Center Fund	2006 and 2005
Law Library Fund	2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Passport Fund	2006 and 2005
West Central Drug Task Force Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Henry County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, and the Health Center Board's deposits at December 31, 2006 and 2005 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by an irrevocable standby letter of credit issued by a Federal Home Loan Bank, or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

<u>Fund</u>	<u>Balance</u>
Health Center Fund	\$204,578
Circuit Clerk Interest Fund	6,207
Law Library Fund	2,023
Passport Fund	1,026
West Central Drug Task Force Fund	4,356

Supplementary Schedule

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5141	\$ 0	48,980
		ERS045-6141	49,971	20,585
		ERS045-7141	13,303	0
	Program total		<u>63,274</u>	<u>69,565</u>
10.559	Summer Food Service Program for Children	ERS146-5141I	0	70
		ERS046-6141I	210	0
	Program total		<u>210</u>	<u>70</u>
10.564	State Administrative Grants for Food Stamp Program	AOC05380182	0	12,750
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640634	0	2,914
		ERO1640682	3,033	14,916
		ERO1640744	9,443	0
	Program total		<u>12,476</u>	<u>17,830</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.575	Crime Victim Assistance	2004-VOCA-0017	21,688	0
16.579	Edward Byrne Memorial Formula Grant Program	2002-NCD2-052	0	81,105
		2002-NCD2-060	0	9,619
		2003-NCD2-050	46,321	80,956
		2004-NCD2-047	14,627	0
	Program total		<u>60,948</u>	<u>171,680</u>
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2000DDVX0055	39,930	48,596
State Department of Public Safety -				
16.588	Violence Against Women Formula Grant	2005-VAWA-0002	16,900	0
		2004-VAWA-0022	0	13,008
	Program total		<u>16,900</u>	<u>13,008</u>

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
16.592	Local Law Enforcement Block Grants Program	2004-LBG-034	0	4,500
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2005-LBGJ-038	6,660	0
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,459	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-042 (20)	0	41
		BRO-042 (22)	8,032	15,800
		BRO-042 (23)	8,572	0
	Program total		16,604	15,841
20.600	State and Community Highway Safety	06-PT-02-55	3,806	3,323
		07-PT-02-64	2,947	0
	Program total		6,753	3,323
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	3,924
GENERAL SERVICES ADMINISTRATION				
Passed through state:				
Office of Secretary of State -				
39.011	Election Reform Payments	N/A	0	15,000
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	111,377	9,024
93.617	Voting Access for Individuals with Disabilities	HAVAHHSFED	5,149	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-6141L	1,004	0
		ERS146-5141L	0	454
	Program total		1,004	454

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
93.268	Immunization Grants	N/A	126,355	80,121
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistanc	CCU716971-06	3,500	0
		CCU16971-5A	0	3,500
		DH060031098	7,694	0
		AOC06380234	5,280	0
		AOC06380064	0	6,600
		CCU722795-4A	243	0
		CCU722795-3A	386	245
	Program total		<u>17,103</u>	<u>10,345</u>
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	60,237	57,467
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-6141C	1,700	0
		PGA067-5141C	0	1,700
		PGA067-6141S	1,805	0
		PGA067-5141S	0	1,530
	Program total		<u>3,505</u>	<u>3,230</u>
93.778	Medical Assistance Program	AOC06380234	6,525	0
		AOC06380064	2,625	2,625
		AOC05380094	0	2,625
	Program total		<u>9,150</u>	<u>5,250</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5141M	16,042	21,437
		AOC06380234	5,119	0
		DH070001011	5,841	0
		DH060010009	2,132	3,444
		DH05000700	0	1,769
	Program total		<u>29,134</u>	<u>26,650</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
97.004	State Domestic Preparedness Equipment Support Program	N/A	0	40,766
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster	1631-DR-MO	1,152	0
97.042	Emergency Management Performance Grants	N/A	5,910	5,684
	Total Expenditures of Federal Award:		<u>\$ 616,978</u>	<u>615,078</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

HENRY COUNTY
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Henry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$5,071 to a subrecipient under the Voting Access for Individuals with Disabilities program (CFDA number 93.617) during the year ended December 31, 2006.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Henry County, Missouri

Compliance

We have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Henry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 through 06-3.

Internal Control Over Compliance

The management of Henry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 through 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Henry County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

January 8, 2008

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be a material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.579	Edward Byrne Memorial Formula Grant Program
90.401	Help America Vote Act Requirements Payments
93.268	Immunization Grants

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1. Schedule of Expenditures of Federal Awards
--

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplement Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-5141, ERS045-6141, ERS045-7141
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

050, Federal Grantor: U.S. Department of Justice
 Pass-Through Grantor: Department of Public Safety
 Federal CFDA Number: 16.579
 Program Title: Edward Byrne Memorial Formula Grant Program
 Pass-Through Entity
 Identifying Number: 2002-NCD2-052, 2002-NCD2-060, 2003-NCD2-
 2004-NCD2-047
 Award Years: 2006 and 2005
 Questioned Costs: Not Applicable

Federal Grantor: Elections Assistance Commission
 Pass-Through Grantor: Office of Secretary of State
 Federal CFDA Number: 90.401
 Program Title: Help America Vote Act Requirements Payments
 Pass-Through Entity
 Identifying Number: HAVA2002FED
 Award Years: 2006 and 2005
 Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services
 Pass-Through Grantor: Department of Health and Senior Services
 Federal CFDA Number: 93.268
 Program Title: Immunization Grants
 Pass-Through Entity
 Identifying Number: Not Applicable
 Award Years: 2006 and 2005
 Questioned Costs: Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were overstated by \$204,024 and \$123,568 for the years ended December 31, 2006 and 2005, respectively.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Some expenditures were overstated in 2006 and 2005 because grant funds received from the State were included on the SEFA in error. Also, in 2005 federal monies of \$40,766 under the State Domestic Preparedness Equipment Support Program were not included on the SEFA. The County Clerk indicated he was not aware that these monies were required to be reported.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take

steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated he will make every effort to ensure the SEFA is complete and accurate.

06-2.

Procurement

Federal Grantor:	Election Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity	
Identifying Number:	HAVA2002FED
Award Year:	2006 and 2005
Questioned Costs:	\$109,000

The county was awarded a Help America Vote Requirement Payments Grant (HAVA) to purchase voting equipment, train polling judges, and for other election purposes. The county purchased voting equipment for \$109,000 without soliciting bids or proposals or retaining documentation to support the solicitation of bids. The County Clerk and Commission indicated that the voting equipment was purchased from a sole source provider; however, this was not documented.

OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws and Section 50.660, RSMo requires the advertisement of bids for purchases over \$4,500 (revised to \$6,000 in 2007). The county should advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the county should retain documentation of these circumstances.

WE RECOMMEND the County Commission work with applicable federal grantor agencies to resolve the questioned costs. In the future, bids should be solicited for applicable purchases

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated in the future, we will document sole source providers.

06-3. Supporting Documentation, Segregation of Duties, and the West Central Drug Task Force Bank Account
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Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Edward Byrne Memorial Formula Grant Program
Pass-Through Entity	
Identifying Number:	2002-NCD2-052, 2002-NCD2-060, 2003-NCD2-050, and 2004-NCD2-047
Award Years:	2006 and 2005
Questioned Costs:	\$86,584

The county was awarded an Edward Byrne Memorial Formula Grant to fund expenses of the West Central Drug Task Force and for other law enforcement purposes.

- A. Adequate documentation was not retained to support payroll expenditures of the West Central Drug Task Force that were reimbursed from the grant. The County Sheriff reimbursed two police departments for salaries of an employee from each department totaling \$20,850 and \$49,570 during the years ended December 31, 2006 and 2005, respectively. The Sheriff did not require the police departments to provide time sheets or other documentation to support these payroll expenditures.

In addition, fuel usage logs were not maintained to support the fuel used by the West Central Drug Task Force and Sheriff's office that was reimbursed through the grant. The West Central Drug Task Force Fund and the Sheriff's office were reimbursed \$7,561 and \$8,603 for fuel through the grant during the years ended December 31, 2006, and 2005, respectively. Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by the Sheriff to ensure vehicles are used only for drug task force business.

Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate supporting documentation, including timesheets and vehicle usage logs, there is no assurance that federal funds have been used in accordance with grant requirements. Due to the lack of supporting documentation, we have questioned costs totaling \$86,584 related to the Edward Byrne Memorial Formula Grant. The County Commission and Sheriff should work with applicable federal grantor agencies to resolve these questioned costs.

- B. The Sheriff maintains the West Central Drug Task Force bank account to process

some monies received from the Edward Byrne Memorial Formula Grant. The Sheriff expended \$88,222 of these grant monies from this account during the year ended December 31, 2005. Remaining grant funds received were expended through the Federal Grant Fund held by the County Treasurer.

The duties of receiving, recording, depositing, and disbursing monies, preparing reports, and reconciling the bank account are not adequately segregated. The Sheriff performs all of these duties. Further there is no statutory authority that allows the Sheriff to hold this account outside the county treasury.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. In addition, Attorney General's Opinion No. 45-92 to Henderson states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

WE RECOMMEND the County Commission and Sheriff work with applicable federal grantor agencies to resolve the questioned costs. Adequate supporting documentation (including timesheets and fuel usage logs) should be obtained for all expenditures of federal monies. In addition, ensure accounting duties are adequately segregated, and the Sheriff should turn over the custody of the West Central Drug Task Force bank account to the county treasurer.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated this fund has been closed and they will ask the Sheriff to obtain documentation to support expenditures.

The Sheriff provided the following response:

- A. *I will request timesheets and obtain documentation for payroll and fuel reimbursements.*
- B. *The West Central Drug Task Force Fund was closed in 2008.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HENRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HENRY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 8, 2008. We also have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 8, 2008.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Henry County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits

performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Henry County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1.	County Expenditures
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The county did not always solicit bids nor was bid documentation always retained for various purchases. Adequate supporting documentation was not retained for some credit card purchases, and some of these purchases did not appear to be a prudent use of public monies. Invoices are typically not marked paid, the acknowledgement of receipt of goods or services is rarely indicated on invoices, and Forms 1099 were not always filed with the Internal Revenue Service (IRS) when required. Reimbursement claim forms for the Highway Planning and Construction Program were not filed in a timely manner, and the county did not require a city to provide documentation of bids obtained or an invoice to document how federal funds were spent. The county did not always enter into formal written agreements, and the county has not solicited bids for banking services and does not have a written agreement with its depository bank. While the Sheriff's office frequently utilizes text messaging, the county's written cellular phone policy and the Sheriff's cellular phone plans do not address or provide for text messaging. A review of the Tri-County child support office phone bills is not performed by the Prosecuting Attorney. County employees with access to money were not covered by an employee bond.

- A. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as discussed below:

Item or Service	Cost
Tractor	\$ 35,790
Automatic external defibrillators	6,450

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500, (revised to \$6,000 in 2007) or more from any one person, firm, or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business.

Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement) should be retained to demonstrate compliance with the law and support decisions made.

- B. Adequate supporting documentation was not available for some credit card expenditures, and some of these expenditures did not appear to be a prudent use of public funds. While the County Commission reviewed a summary statement of monthly credit card expenditures, detailed invoices of each purchase were not always retained and compared to the statement. For example in one month, invoices were not retained to support purchases of \$892 for office supplies and fuel. Similar omissions were noted with other credit card monthly statements. In addition, an employee's personal fuel purchase of \$44, which has not been reimbursed to the county, does not appear to be a prudent or necessary use of public funds. All expenditures should be supported by a vendor invoice to ensure the obligation was actually incurred and the expenditure represents an appropriate use of public funds.
- C. Invoices are typically not marked paid or otherwise cancelled. Instead, a requisition is marked "approved" by the Presiding Commissioner. In addition, the acknowledgement of receipt of goods or services by the receiving party is rarely indicated on invoices prior to the expenditure being approved for payment. For example, receipt of goods or services was not indicated for 30 of 37 expenditures we selected for review.

Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the county actually received the items or services being paid.

- D. The county did not prepare Forms 1099 Miscellaneous for payments made to a former deputy to perform various duties at the jail totaling \$905 and for brokerage services totaling \$5,000 during the year ended December 31, 2005. Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.
- E. The county expended \$4,690 in January 2005 related to the Highway Planning and Construction program; however, a reimbursement claim for this expenditure was not filed as of November 2007. After we brought this to the county's attention, the claim was filed and the monies were received in January 2008, three years after the county made payment.

To maximize revenues, the County Commission and County Clerk should ensure that procedures are in place to ensure requests for reimbursements are made in a timely manner. In addition, the failure to submit reimbursement claims on a timely basis results in possible unreimbursed costs to the county.

- F. The county was awarded a federal Voting Access for Individuals with Disabilities Grant to provide polling place accessibility. In May 2006, the county paid the City of Calhoun (a voting precinct) \$5,071 for the construction of handicap access to city hall. The County Clerk indicated the city obtained bids for the project, and the city paid private contractors to perform the work; however, the county did not require the city to provide the documentation. After bringing this to the attention of the county, supporting documentation was obtained from the city, but bid documentation was not obtained.

OMB Circular A-102, Common Rule, Standards for Financial Management Systems, requires supporting documentation to be maintained for all expenditures claimed for federal reimbursement. Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate documentation there is no assurance that federal funds have been used in accordance with grant requirements.

- G. The county did not always enter into formal written agreements defining services to be provided and benefits to be received.
- The county has not entered into written agreements with three of six cities the county jail houses prisoners for, regarding the housing rate to be paid, the services to be provided, or any required notification for emergency or non routine situations. Currently, Henry County charges these cities \$35 a day to house their prisoners.
 - The Sheriff contracted and paid a former deputy \$370 and \$905 in January 2006 and December 2005, respectively, to perform various duties at the jail. The deputy was paid from the Sheriff's inmate bank account, and the Sheriff subsequently requisitioned funds from the Corps of Engineers Fund to be transferred to the inmate account. No detail was provided to the county about the purpose of this transfer. While the Sheriff did enter into a written agreement with the deputy, the agreement was not approved by the County Commission nor was the county aware of the agreement. In addition, the agreement did not indicate the number of hours to be worked or the duties to be performed.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Further, the County Commission should approve all contracts and the contracts should be maintained at the County Clerk's office.

- H. The county has not solicited bids for banking services and does not have a written agreement with its depository bank. Currently, the County Treasurer deposits funds in various local banks.

To ensure the quality of banking services and ensure interest earnings received are maximized, the County Commission should procure its banking services through a competitive bid process. A depository agreement is necessary to ensure both the bank and the county understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the county's account. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing.

- I. While the county has a written policy regarding cellular phone usage, it does not address the use of text messaging. In addition, the cellular phone plans utilized by the Sheriff office's fourteen phones do not provide for text messaging, and as a result, additional charges are often incurred. For example, during December 2006 and January 2007, the county was billed for 797 text messages, resulting in additional charges of \$80.

While cellular phones can help increase employee productivity, they are also costly. Cellular phone usage patterns should be routinely monitored to ensure each user is enrolled in the most cost-effective plan. The county should review its current and historical levels of cellular phone use and determine if there is a need for text messaging and if so, text messaging should be included in the cellular phone plans. Implementing such procedures should result in cost savings to the county.

- J. A documented review of the Tri-County child support office phone bills is not performed by the Prosecuting Attorney. We reviewed the phone bills for June through August 2006 and identified personal long distance calls that were made, but not reimbursed by an employee. While the additional charges noted were not significant, county policy prohibits the use of county funds for personal telephone usage. Effective procedures should be implemented to monitor phone usage and review detailed billings for propriety prior to approval for payment.

- K. County employees who handle monies were not covered by any employee bond. Properly bonding all persons with access to monies would better protect the officials and county from risk of loss.

Conditions similar to Parts A., B., C., and K, were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Ensure adequate supporting documentation is retained for all credit card purchases, and ensure expenditures are a proper use of public funds.
- C. Ensure all invoices are properly canceled, by marking the invoice 'Paid,' to reduce the possibility of duplicate payments. Also, require all invoices to be initialed or signed by a county employee to indicate acceptance of the goods or services.
- D. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the Internal Revenue Service.
- E. Ensure reimbursement claims are submitted on a timely basis.
- F. Ensure adequate documentation is obtained to support expenditures of federal funds.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received. In addition, the County Commission should review and approve all contracts.
- H. Seek competitive bids for banking services on a periodic basis and enter into a written agreement with its depository bank.
- I. Review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so text messaging should be included in the cellular phone plans.
- J. And Prosecuting Attorney develop procedures to monitor phone usage and review detailed billings for propriety.
- K. Obtain adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We believe a state bid was utilized for the purchase of the tractor; however, we did not retain documentation of the state bid. We will solicit bids and retain documentation in the future.*
- B. *We will require adequate documentation for credit card purchases prior to approving for payment.*

- C. *We will take this under advisement.*
- D. *We will ensure that 1099s are filed with the IRS.*
- E. *This was caused by problems with the engineer. We will take steps to ensure this does not happen in the future.*
- F. *We will implement this recommendation.*
- G. *We were not aware of the contract with the former employee. We will work with the Sheriff to ensure contracts are approved by the County Commission in the future.*
- H. *We feel the County Treasurer is investing the county's monies wisely, but will require her to document various proposals received in the future.*
- I. *We will ensure the Sheriff obtains a cellular telephone plan that includes text messaging.*
- J. *We will work with the Prosecuting Attorney to ensure this issue is corrected.*
- K. *We obtained bond coverage in 2008.*

The Sheriff provided the following responses:

- G. *I will discuss this with the Commission, and I will enter into written agreements in the future.*
- I. *I have obtained cellular phone plans which include text messaging.*

The Prosecuting Attorney provided the following response:

- J. *The Prosecuting Attorney of Henry County several years ago assumed the duties of reviewing the expenditures of the Tri-county child support project although it is a joint project with two other counties. I routinely review the long distance call bills and have not noted any abuses such as unusually long telephone calls. I was not made aware of this issue until the receipt of the preliminary draft of the audit report. The employee will be asked to reimburse these monies. It should also be noted that the Tri-county project is 100% reimbursed by the Missouri Department of Social Services, Division of Child Support Enforcement.*

2. Budgets, Transfers, Financial Statements, Planning, and Public Access Policy
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Budgets were not prepared for the Passport Fund and West Central Drug Task Force Fund, and actual disbursements exceeded budgeted amounts for several funds. The county has been significantly overestimating the amounts budgeted for Road and Bridge fund expenditures for several years, and the purpose of numerous transfers made between funds was unclear and not always documented. Information regarding some county funds was

omitted from the county's annual published financial statements, and the county has not developed a documented maintenance plan for roads and bridges to accompany the budgets. The County Commission nor the County Clerk have established a records policy to ensure information requests from the public are handled in compliance with the Sunshine Law.

- A. Formal budgets were not prepared for the Passport Fund and the West Central Drug Task Force Fund maintained by the County Commission's secretary and the Sheriff, respectively, for the years ended December 31, 2006 and 2005. The Passport Fund received and expended approximately \$30,000 and \$20,000 during the years ended December 31, 2006 and 2005, respectively, to process passports. The West Central Drug Task Force Fund received and expended approximately \$140,000 during the year ended December 31, 2005 to operate a multi-organizational drug task force, and activity of this fund decreased during 2006, as funding was no longer available.

These funds were new and held outside the county treasury. In addition, because the Sheriff was not providing the required budget for the West Central Drug Task Force Fund, the County Commissioners' ability to monitor overall county financial resources and make effective budgetary decisions is hindered. While this fund was not under the direct control of the County Commission, a budget for this fund is needed to comply with state law.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's Office which requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2006	2005
Law Enforcement Training Fund	\$ 2,801	N/A
Tri-County Child Support Fund	N/A	3,971
DARE Fund	N/A	3,718
Corps of Engineers Fund	23,158	12,202
Recorder Records, Storage, and Preservation Fund	N/A	2,646
Federal Grant Fund	N/A	76,724
Sheriff Special Fund	19,720	318
Sheriff Civil Fund	4,527	2,752
Sheriff Revolving Fund	N/A	2,154
Law Enforcement Contract Fund	6,212	14,113
Health Center Fund	310	8,190
Law Library Fund	576	N/A

For all funds listed above, except the Health Center and Law Library Funds, which are in the custody of the Health Center Board and Circuit Clerk outside the county treasury, monthly reports comparing budgeted and actual receipts and disbursements are available. While budget to actual data is provided to the various county officials, the county's procedures and reports are not resulting in effective monitoring of various budgets.

In addition, the overspending in the Law Enforcement Training, DARE, Corps of Engineers, Federal Grant, Sheriff Special, Sheriff Civil, Sheriff Revolving, and Law Enforcement Contract Funds appears to primarily be a result of excessive transfers between funds by the Sheriff. The Sheriff indicated he frequently moves money from fund to fund to pay expenses of those funds. All of these transfers are not reported as actual transfers in and out on the financial statements presented in this report. Further, it appears that some of these funds operated by the Sheriff could be consolidated to help simplify the county's records and reduce the number of funds that must be monitored and controlled.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year. In addition, the budget process provides a means to allocate financial resources in advance and more effective budgeting of transfers by the Sheriff would aid in monitoring the overall financial condition of various county funds.

- C. The county significantly overestimates the amounts budgeted for Road and Bridge Fund expenditures. As Exhibit B illustrates, budgeted expenditures exceeded actual expenditures during the years ended December 31, 2006 and 2005, by \$470,322 and \$775,397, respectively.

The practice of overestimating disbursements results in an unreasonable estimated ending fund balance and reduces the use of the budget as a management tool and as a control over disbursements. For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operations and current financial position, the budgets should accurately reflect resources on hand, reasonable estimates of receipts and disbursements, and anticipated ending cash balances.

- D. The purpose of numerous transfers made between funds was unclear and was not always documented. For example, as noted above in part B. the Sheriff frequently transferred monies from fund to fund with no clear purpose. He indicated the transfers were made to pay expenses, but then would transfer some monies back to the original fund the transfer was made from. In addition, budgets for the two years ended December 31, 2006, included both estimated and actual transfers-in and out for various funds; however, the budgets did not always include the corresponding transfers-in and out from other funds. Actual transfers in and out have been adjusted to balance on the financial statements presented in this report.

The purpose of transfers made between funds should be documented. The budget process provides a means to allocate financial resources in advance and more effective budgeting of transfers would aid in monitoring the overall financial condition of various county funds.

- E. The county's annual published financial statements did not include the Health Center Fund, Circuit Clerk Interest Fund, Law Library Fund, or the West Central Drug Task Force Fund. These funds are all held outside the county treasury. In addition, information contained in the published financial statements did not include appropriate revenue and expenditure detail for all county funds, as required by Section 50.800. Revenues are not presented by source and expenditure detail is not shown for many of the smaller county funds.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, Section 50.800, RSMo, requires the financial statements to show receipts, disbursements, and beginning and ending balances for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

- F. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than \$1,000,000 in receipts and disbursements are processed through the county's Special Road and Bridge Fund during a typical year. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. County road maintenance is provided by the township road districts; however, the County replaces bridges and culverts for the township roads every year and prioritizes bridge construction based on safety concerns and need. Specific projects are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by

the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

- G. The County does not have a formal policy regarding public access to county records. A formal policy regarding access to county records would establish guidelines for the county to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making county records available to the public.

Conditions similar to Parts B. and C. were noted in our prior report.

WE RECOMMEND the County Commission:

- A. And the Sheriff ensure budgets are obtained or prepared for all county funds.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. In addition, procedures should be implemented to ensure budgets are properly amended, the amendments are made prior to incurring the actual expenditures, and valid reasons which necessitate excess disbursements are documented. Further, a more effective method of budgeting of transfers by the Sheriff should be established, and the county and the Sheriff should consider consolidating some of the funds operated by the Sheriff.
- C. Ensure budgeted expenditures are reasonable so that a more realistic estimate of the Road and Bridge Fund's financial condition is presented and to increase the budget's effectiveness as a management tool.
- D. Ensure the purpose of all fund transfers is documented, and budgeted and actual transfers-in and out are in balance.
- E. Publish complete financial statements.
- F. Establish a formal annual maintenance plan for county roads.
- G. Establish a records policy to ensure compliance with the Sunshine law. This policy should include the need for a records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. The West Central Drug Task Force Fund was closed in 2008, and we will prepare a budget for the Passport Funds in the future.*
- B. We will encourage the Sheriff to implement this recommendation and will continue to monitor overspending.*
- C,F,
&G. We will take these under advisement.*
- D. We have established procedures to document transfers.*
- E. We will work with the other officials to ensure all funds are published.*

The Sheriff provided the following responses:

- A. The West Central Drug Task Force Fund was closed in 2008.*
- B. I will discuss this with the County Commission, County Clerk, and County Treasurer.*

The Health Center Board of Trustees provided the following response:

- E. The 2007 financial statement was published in February 2008 in all county newspapers.*

3. Payroll Records and Procedures
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An adequate review of the employee's timesheets was not always performed by the County Clerk's office or by the employee's supervisory official, and as a result, numerous errors went unidentified. Computerized employee timesheets prepared by the Sheriff's office were not signed by the employee or the Sheriff. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained, and leave records maintained by each office were not always accurate. An employee was allowed to carry over sick leave balances in excess of the maximum allowed by the county's personnel policy. Several instances were identified where compensatory time (overtime) earned was not being calculated in accordance with the county's personnel policy. Although the County Commission has historically required full time employees to work only 35 hours a week, the county's personnel policy indicates the normal work week is 40 hours. Payroll and accounting records were not properly reconciled with amounts reported on the Internal Revenue Service (IRS) Forms W-3 and the 941-quarterly wage reports. Retirement benefits related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System.

- A. An adequate review of the employee's timesheets was not always performed by the County Clerk's office or by the employee's supervisory official. Time sheets are prepared by employees and submitted to the supervisory county official. Each county official then prepares a summary list of amounts to be paid and hours worked, which the County Clerk uses to prepare payroll checks. Both the summary lists and employee time sheets are submitted to the County Clerk; however, the two records are not compared for accuracy.

Numerous errors were identified on employee timesheets of various offices, and as a result, the summary lists were also inaccurate. Although the elected official or supervisor signed each of the timesheets, a detailed review of the timesheets was obviously not performed. For example, an employee's timesheet indicated they only worked from 8 a.m. to 12 p.m. and 1 p.m. to 5 p.m. or eight hours; however, they recorded nine hours in the daily total column. Another employee worked eight and a half hours and only recorded seven and a half hours in the daily total column. In a third example, an employee worked sixteen and a half hours and recorded seventeen and a half hours in the daily total column.

To ensure employees are paid correctly and receive leave benefits as allowed by law and the county's personnel policy, timesheets should be adequately reviewed by the supervisory official and the County Clerk's office for accuracy and compared to the summary lists.

- B. Computerized employee timesheets prepared by the Sheriff's office were not signed by the employee or the Sheriff. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- C. Centralized records of leave balances and leave used and earned are not maintained. Employees are responsible for recording and accumulating their leave balances. Each elected official is responsible for ensuring the leave records maintained by the employee are accurate; however, an adequate review of these leave records was obviously not performed by various county officials.

For example, a Sheriff's deputy's vacation leave balance was overstated by 33 hours in March 2006 due to a calculation error. In addition, an employee in the Recorder of Deeds office was allowed to carry over sick leave balances in excess of the maximum allowed by the county's personnel policy, and the amount of sick leave carried over was inaccurate. While the county's personnel policy only allows 30 days of sick leave to be carried over from one year to the next, the employee carried 42 days of sick leave over from 2005 to 2006. Further, this employee's leave record indicated a balance of only 33 days of sick leave at the end of 2005, but the employee recorded a beginning balance of 42 days of sick leave in 2006.

Without centralized leave records, the County Commission cannot ensure that employees' vacation and sick leave balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining unused vacation

leave upon termination of employment. In addition, leave records should be carefully reviewed for consistency and mathematical accuracy to ensure that employees leave balances are correct and employees receive the proper amount of leave and overtime compensation. Also, strict compliance with leave policies and accurate records of leave are necessary to ensure employees are properly compensated for accumulated leave and are treated equitably.

D. Compensatory time (over time) is not being earned and paid in accordance with the county's personnel policy. For example:

- An employee in the Ex Officio County Collector's office earned overtime for hours worked in excess of 7 hours per day or 35 hours per week.
- Some employees earning overtime are using nonworking time (vacation, sick leave, and compensatory time taken) in their calculation to determine overtime earned.
- Personnel in the County Clerk's office record overtime worked on their timesheets each month, but are not paid for the overtime until the end of the year.
- The Recorder of Deeds submitted a request on December 11, 2007 for her employee to be paid for eleven and a half hours of overtime that she had not yet worked.

The county's personnel policy indicates overtime is based on work hours in excess of forty hours in a standard work week and will be compensated at time and a half, except for law enforcement employees. It also indicates that "an employee must meet the forty hour plus work week (not simply exceed an eight hour day)." In addition, non working time (vacation, sick leave, and compensatory time taken) should not be used in the calculation of overtime earned. Overtime should be paid or be taken as time off by the employee during the pay period earned and should not be claimed until the actual time has been worked.

E. Although the County Commission has historically required full time employees, excluding those in law enforcement, to work only 35 hours a week, the county's personnel policy indicates "the normal work week shall be forty (40) hours". The County Commission should review its current policy and practices and revise the policy if necessary.

F. Payroll and accounting records were not properly reconciled with amounts reported on the IRS Forms W-3 and the 941-quarterly wage reports in 2006, and as a result, the county over paid \$1,694 in payroll taxes. The failure to reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis.

- G. During the two years ended December 31, 2006, the Prosecuting Attorney paid \$19,400 in additional compensation to his office employees from the Prosecuting Attorney Bad Check Fund. This additional compensation was not processed through the normal county payroll process. Although these payments were reported on W-2 forms and payroll taxes were withheld by the Prosecuting Attorney, retirement benefits related to the additional compensation were not paid into the County Employees' Retirement System. The Prosecuting Attorney and County Commission should ensure that employer retirement contributions are remitted to the County Employees' Retirement System.

WE RECOMMEND the County Commission and other officials:

- A. Adequately review timesheets and the summary list prepared by each official for accuracy.
- B. Ensure all timesheets are signed by the employee and their supervisor to document approval.
- C. Maintain centralized leave records for all county employees and adequately review the leave records for accuracy. In addition, ensure compliance with the county's leave policy.
- D. Ensure employees only accrue compensatory time in accordance with the county's personnel policy and nonworking time is not used in the calculation of overtime. In addition, ensure overtime is paid or used during the pay period earned and overtime is not claimed until worked.
- E. Review the current personnel policy and practices regarding required work hours for full time employees and revise the policy if necessary.
- F. Ensure payroll and accounting records are reconciled with amounts reported to the state and federal authorities.
- G. And Prosecuting Attorney ensure that employer retirement contributions are remitted to the County Employees' Retirement System.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will review time sheets periodically.*
- B. *We will work with the Sheriff to ensure this recommendation is implemented.*
- C. *We will review records periodically for accuracy.*

- D. *We will review overtime recorded on time sheets and leave records periodically.*
- E. *We will consider this recommendation.*
- F. *This has been implemented.*
- G. *We feel this is the Prosecuting Attorney's responsibility.*

The Sheriff provided the following responses:

- B. *I will implement this recommendation.*
- C. *I have corrected this employee's leave record.*

The Prosecuting Attorney provided the following response:

- G. *This will be implemented. It should be noted that the County Clerk was aware of the additional compensation because he refused to process it through the county payroll system. This caused the Prosecuting Attorney to have to retain the services of a Certified Public Accountant who was not familiar with the county's retirement system withholdings.*

4.	County Assessor's Contract
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The Assessor entered into a written agreement with the City of Clinton to assess all real and personal property within the city in December 1982 for \$600 annually, and the contract has not formally been updated since. Currently, the Assessor receives \$1,200 annually for providing these services. While the Assessor sent letters to the city advising them of increases in fees, a formal updated contract signed by both parties has not been entered.

Section 432.070, RSMo, required contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

In addition, Section 53,030, RSMo, requires the county assessor to assess all real and tangible personal property in the county. The County Commission and Assessor should review the scope of duties required under the Assessor's contract to determine whether the duties are already required of the Assessor by law.

WE RECOMMEND the County Commission and Assessor review this situation and update written agreements if necessary.

AUDITEE'S RESPONSE

The Assessor indicated that he believes the fee is justified due to the additional services being provided to the city related to planning and zoning and street improvement, and that he will update the written agreement.

5. County Property Records and Vehicles and Equipment
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The County Clerk does not reconcile property purchases to additions recorded on the physical inventory reports and tags identifying property items as county property are not always affixed to the items. Controls and procedures over fuel usage need improvement.

- A. The County Clerk does not reconcile property purchases to additions recorded on the physical inventory reports and county property records are not complete. In addition, tags identifying property items as county property are not always being assigned and affixed to the items. While each of the various county departments submitted annual physical inventory reports, some property additions were not included in the county's records including a new truck totaling \$18,600 purchased for the road and bridge department.

Adequate property records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls, over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

- B. The county's published financial statements indicated fuel costing approximately \$50,000 and \$14,000 annually was purchased for the Sheriff's office and road and bridge department, respectively. In addition, the Sheriff's office also purchased fuel from other accounts. The following concerns were identified relating to fuel usage:

- Fuel usage logs are not maintained for the road and bridge department's equipment and vehicles. As a result, fuel usage is not reconciled to fuel purchases. The county has one bulk diesel fuel tank that is metered, which is used for eleven pieces of road and bridge equipment. Unleaded fuel is purchased at the local distributors for use in the road and bridge department's four trucks.

Fuel usage logs are necessary to document the appropriate use of equipment and vehicles and to also support fuel charges. The vehicle logs should include the date, driver, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles.

- Vehicle mileage and fuel usage logs maintained by the Sheriff's office for its thirteen vehicles are not reconciled to fuel purchases. In addition, the mileage logs do not include the destination or the purpose of the trip, and fuel purchases are not always documented on the logs. The Sheriff indicated he periodically reviews the usage logs for accuracy; however, he has not documented his review.

Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only, that fuel costs for vehicles are reasonable, and that billings to the county represent legitimate and appropriate charges. Effective monitoring procedures which include reviews of vehicle logs and comparison of log information to fuel purchases and maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without being detected.

A condition similar to Part B. was noted in our prior report.

WE RECOMMEND:

- A. The County Clerk utilize the annual physical inventory reports prepared by county departments to monitor property additions and dispositions. In addition, the County Clerk should implement a procedure for tracking and tagging new property items throughout the year.
- B. The County Commission require usage logs be maintained for all county owned vehicles and equipment and for the bulk fuel tank, and fuel logs be reconciled to fuel purchases. A periodic review should be performed to ensure the reasonableness of the fuel purchases and usage. In addition, all reviews and reconciliations should be documented.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- B. *We will address this problem.*

The County Clerk provided the following response:

- A. *The County Clerk's office will comply with the statutory requirements of 49.093, RSMo.*

The Sheriff provided the following response:

B. I will document my review of the usage logs.

6. Passport Fees

Improvement is needed over the handling of passport fees. Currently, the County Commission's secretary is authorized by the federal government to process applications for passports. She is also responsible for collecting, recording, and depositing the related fees, and reconciling the passport bank account. During the two years ended December 31, 2006, the county has processed approximately 554 passport applications and collected approximately \$55,000 in passport processing fees. The county retains \$30 of each passport fee and has collected approximately \$16,620 from these fees and forwarded \$35,826 to the federal government during the two years ended December 31, 2006. The following concerns were identified relating to passport fees:

- Receipts are not deposited in a timely manner. For example, a cash count conducted on December 12, 2007, indicated \$433 received in November 2007 was not deposited until December 13, 2007. To reduce the risk of loss or misuse of funds, deposits should be made on a timely basis.
- The duties of collecting, recording, depositing, and disbursing monies and reconciling the bank account are not adequately segregated as noted above. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- During the years ended December 31, 2006 and 2005, the County Commission authorized expenditures from passport fees for an annual Christmas party for county employees totaling \$1,486 and \$1,068, respectively. These expenditures do not appear to be a prudent use of county funds. County residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should ensure county funds are spent only on items which are necessary and beneficial to county residents.

WE RECOMMEND the County Commission ensure passport fees are deposited in a timely manner, duties are adequately segregated, and all expenditures from passport fees are a prudent use of public funds.

AUDITEE'S RESPONSE

The County Commission indicated they will require their secretary to make deposits in a timely manner, and they will review accounting records periodically. They will take the remainder of this recommendation under advisement.

7. Sheriff's Inmate and Commissary Account

The Sheriff operates a commissary for inmates to purchase various snacks, personal items, and generic medication (Aspirin, Tylenol, etc.). The Sheriff received and expended approximately \$40,000 and \$25,000 through the inmate and commissary account during the years ended December 31, 2006 and 2005, respectively.

The Sheriff used monies deposited into the inmate and commissary account to pay operating expenses of his office. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, and numerous purchases made from the inmate and commissary account do not appear to be a prudent or necessary use of public or inmate funds. The Sheriff's office does not have a system for tracking the profit or loss from the sale of commissary items and improvements are needed in the controls and procedures over commissary inventory. Bank reconciliations are not prepared in a timely manner, procedures have not been established to follow up on old outstanding checks, and monthly listings of open items (liabilities) were not prepared. Procedures to collect or limit unpaid inmate commissary balances have not been established, and refunds of inmate balances are not made in a timely manner. Prenumbered receipt slips are not issued, and inmate receipts are not deposited in a timely manner.

Because of the various procedural problems identified, there is very little assurance that inmate monies have been properly handled and accounted for.

- A. Because the Sheriff is not adequately tracking inmate monies and profits received from commissary sales, there is no assurance that the Sheriff has not used inmate monies to pay operating expenses of his office. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, and several purchases made from the inmate and commissary account do not appear to be a prudent or necessary use of public or inmate funds.

- Debit card purchases and ATM withdrawals from the inmate account totaled \$14,548 and \$4,037 during the years ended December 31, 2006 and 2005, respectively. Most of the debit card purchases and ATM withdrawals made from the inmate and commissary account were not related to the operation of the commissary. For instance, debit card purchases included office supplies, equipment, training expenses, DARE program supplies, and bakery items.

In addition, checks written from the inmate account totaling \$7,796 during the two years ended December 31, 2006 were used to pay operating expenses of his office. Of this amount, several of these expenditures do not appear to be a prudent or necessary use of public or inmate funds. For example, meals, donuts, and bakery items (\$927), Night Out Against Crime Halloween event (\$215), a "Season Greeting" advertisement (\$179), and car show fees (\$50) paid do not appear to be a prudent use of the public funds.

In addition, these expenditures were not approved by the County Commission and were not handled through the county's normal procurement process.

Monies deposited into the inmate account represent inmate's personal monies and any profits from the sale of commissary items represent accountable fees which should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury to make purchases. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriff's of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." Also, all expenditures should be supported by vendor invoices to ensure the obligation was actually incurred and the expenditure represents an appropriate use of funds. Further, the county's residents also place a fiduciary trust in their public officials to expend funds in a necessary and prudent manner.

- B. The Sheriff's office does not have a system for tracking the profit or loss from the sale of commissary items. A jailer distributes order forms weekly to each inmate reflecting the items available for purchase. The jailer indicated each item for sale is marked up for a minimal profit. The jailer then records the amount of each inmate's purchases on the inmate's commissary sheet and removes the amount of the purchase from the inmate's balance. The proceeds are used to replenish the commissary inventory (See part C.) and for operating expenses of the Sheriff's office as noted in Part A.

To adequately account for activity of the commissary fund, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary.

C. Commissary inventory and the related records had the following areas of concern:

- A running inventory (perpetual inventory) of commissary items purchased, sold to inmates, and inventory balances is not maintained. To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.
- The commissary inventory does not appear to be adequately secured. Although the commissary inventory is maintained in a storage room, all personnel have access to it. To establish accountability and adequately protect commissary inventory from loss, theft or misuse, commissary inventory should be secured in a location with access limited to the individual responsible for the inventory.

D. Bank reconciliations are not prepared for the inmate account in a timely manner and are not properly used when completed. The reconciliation for the December 31, 2006 bank statement was not performed until February 10, 2007. In addition, several errors between the Sheriff's accounting records and bank reconciliations were identified. For example, one check totaling \$20 issued on September 9, 2006, was listed on the December 2006 outstanding check list in the amount of \$2,000. This check had also cleared the bank on September 13, 2006. There was no evidence that anyone compared the reconciled bank balance to the book balance maintained on the accounting system.

In addition, the Sheriff has not established procedures to routinely follow up on old outstanding checks for the inmate account. At December 31, 2006, eighty-four checks written on the inmate account totaling \$1,145 had been outstanding for over a year.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. These old outstanding checks create additional and unnecessary record-keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payee cannot be located, the monies should be disposed of as provided by state law.

E. Two former employees who have not worked at the Sheriff's department since January 2004 and January 2007 were still authorized to sign checks on the inmate and commissary bank account as of October 25, 2007. Steps should be taken to remove the former employees from the signature card at the bank.

- F. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. At our request, a listing of open items was prepared for December 31, 2006 which totaled to a negative (\$4,186), and the cash balances totaled to \$927 which exceeded the liabilities by \$5,113. The Sheriff indicated the open items listing he prepared contained numerous negative prisoner balances because items were provided to the inmates when inmate monies were not available (See Part G). In addition, profits of the commissary account are not being tracked and considered in the reconciliation of this bank account.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities.

- G. The Sheriff has not established procedures to collect or limit unpaid inmate balances. According to the Sheriff, if an inmate does not have any monies in the inmate account, he charges the inmate's balance. Some inmates are released from jail with a negative inmate balance. Over \$4,000 of negative balances existed at December 31, 2006.

The Sheriff should establish procedures for limiting commissary purchases and for collecting balances from released inmates.

- H. Inmate records maintained by the Sheriff indicate that most inmates with balances in the inmate account at December 31, 2006 have already been released from jail. In addition, refunds of inmate and commissary balances are not made in a timely manner. For example, two inmates were released on May 20 and June 2, 2007 which left inmate balances of \$21 and \$4, respectively. As of December 11, 2007, these inmate balances had not been refunded.

According to the jail secretary, inmate monies are refunded to the inmate at the time of release (only if requested by the inmate and if the Sheriff is available to issue a check). If the Sheriff is unavailable, the inmate must later contact the Sheriff's office to request a refund. As a result of these procedures, many inmate balances are not refunded to the inmate upon their release and remain a liability of the Sheriff's inmate and commissary account.

Released inmate balances create additional and unnecessary record keeping responsibilities and if resolved and distributed could significantly aid in the reconciliation of open items to the reconciled cash balance noted above. Various statutory provisions provide for the disposition of unclaimed monies. Routine procedures should be established to resolve and distribute unclaimed balances for released inmates.

- I. Prenumbered receipt slips are not issued for monies received from (or for) inmates. Instead a printout is generated indicating the amount received from (or for) the

inmate. These printouts are not always signed by the inmate (or by the person providing monies to the inmate) and did not always identify the method of payment (i.e., cash, check, or money order). To ensure receipts are handled properly, prenumbered receipt slips should be issued for all monies received, and the method of payment should be recorded on the receipt slip, and the composition of the receipt slips issued should be reconciled to the composition of the deposit.

- J. Deposits into the inmate account are not made in a timely manner. For example, inmate monies totaling \$642 received between August 30 and September 8, 2007, were not deposited until September 13, 2007. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner.

Conditions similar to Parts B. and F. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Cease all bank account transactions except for the deposit and disbursement of inmate refunds and accountable monies. In addition, expenditures should be authorized by the Sheriff and made through the county's normal expenditure process as provided for in the budgets of various funds. Also, require supporting documentation for all expenditures, and ensure expenditures are a necessary and prudent use of public funds.
- B. Develop records to adequately track profits or losses on the commissary operations. Turn all profits over to the County Treasurer as accountable fees.
- C. Ensure perpetual inventory records are maintained and are periodically reconciled to a physical inventory. In addition, ensure commissary inventory is adequately secured.
- D. Ensure bank reconciliations are performed in a timely manner, and any differences between the accounting records and reconciliations should be investigated and resolved. In addition, attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- E. Remove former employees from the signature card at the bank.
- F. Prepare monthly listings of open items and reconcile the listing to the bank balance.
- G. Establish procedures to collect or limit unpaid inmate balances.
- H. Refund inmate balances to inmates when released from jail.

- I. Issue prenumbered receipt slips for all monies received from or on behalf of the inmates. In addition, the method of payment should be recorded and the composition of the receipts should be reconciled to the composition of deposits.
- J. Ensure inmate monies are deposited in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I am working on addressing this.*
- B. *I am looking at developing a software program that will track the profits and losses on the commissary operations.*
- C. *I am looking at developing a software program that will track the commissary inventory. In addition, there is no good way to secure the commissary inventory at this time.*
- D. *I do not always have time to do bank reconciliations in a timely manner. In addition, I am working on resolving the outstanding checks.*
- E. *This has been corrected.*
- F. *I agree with this recommendation.*
- G. *I am working on paying out positive balances and writing off negative balances.*
- H. *Costs of indigent inmates will be absorbed by commissary profits and procedures for writing off these balances will be adopted.*
- I. *I will try to implement manual prenumbered receipt slips.*
- J. *I will try to make deposits in a timely manner.*

AUDITOR'S COMMENT

- F. Given the differences identified between the open items listing and reconciled bank balance, the Sheriff needs to investigate these differences and track profits of the commissary account and include any profits in his reconciliation.

8.	Sheriff's Controls and Procedures
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Procedures have not been established to track the costs of conducting carry concealment classes, and it is unclear why a deputy was not treated as an employee and paid his regular

overtime rate to teach the classes instead of being paid \$2,856 as a contractor. In addition, these payments were not reported on the employee's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld. Monies received by the Sheriff's office are not deposited intact or in a timely manner, and checks are not restrictively endorsed immediately upon receipt. Procedures for handling gun permits are in need of improvement. The reconciled bank balance of the Sheriff's fee account was negative at December 31, 2006, and the Sheriff does not follow up on old outstanding checks. The Sheriff maintains an open items listing for the fee account; however, the reconciled bank balance does not agree to the open item listing. Controls and procedures over the Sheriff's two petty cash funds need improvement. Improvements are needed in the controls and procedures relating to uncollected paper service fees, DARE donations, and jail meals.

- A. Procedures have not been established to track the costs of conducting carry concealment classes. The Sheriff requires carry and concealment gun permit applicants to attend a firearms class. Each attendee is charged \$100 for the class. A deputy is paid \$60 per person attending to teach the class (see part B). The Sheriff's office also incurs costs for classroom rentals, shooting range fees, supplies (i.e. ammunition), and advertising. In addition, the number of attendees of each class is not documented, and the Sheriff indicated some classes are donated to attendees (i.e. local business owners).

By not adequately tracking the number of attendees and costs to conduct the classes, the Sheriff has little assurance that the carry and concealment class fee covers the actual costs. In addition, without documenting the attendees, the Sheriff cannot ensure all gun permit applicants have attended the required class.

- B. The Sheriff paid one of his deputies \$1,620 and \$1,236 (in addition to his normal salary) to teach carry and concealment classes during the years ended December 31, 2006 and 2005, respectively, from the Sheriff's Revolving Fund. The deputy was paid \$60 of the \$100 fee charged to the attendees of the classes. The Sheriff indicated the work was performed and classes were held outside the deputy's regular working hours; however, no documentation was retained to report time spent preparing and teaching the classes. It is unclear why the deputy was not treated as an employee and paid his regular overtime rate to teach the classes.

In addition, these payments were not processed through the county's payroll system. As a result, these payments were not reported on the employee's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld from the payments.

The Internal Revenue Code (IRC) generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

C. The Sheriff received monies for civil and criminal fees, gun permits, board bills, local patrolling contracts, calendar sales, jail phone commissions, bonds, and other miscellaneous receipts totaling approximately \$341,000 and \$266,000 during the years ended December 31, 2006 and 2005, respectively, which are handled in the Sheriff's fee account. The following concerns were noted related to receipts:

- Monies received are not deposited intact or in a timely manner. For example, a cash count conducted on September 18, 2007 included \$340 of carry concealment weapon fees and \$400 of bonds that were not deposited until October 1, 2007 and September 20, 2007, respectively. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be made intact on a timely basis.
- Checks received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

D. Procedures for handling gun permits are in need of improvement. The number of gun permits issued is not reconciled to gun permit receipts. Gun permit fees were also not always collected at the time the gun permit application was completed. Some gun permit fees were collected after the applications were approved. The receipt slips issued did not always include the date and method of payment received.

Gun permit fees were not always posted to the accounting system in a timely manner. In addition, these fees were not always deposited timely and intact. During the month of April 2006, eleven of thirty-two permits issued were not posted to the accounting system timely. For example, one gun permit receipt was received on April 12 and was not posted to the accounting system until April 24. This same receipt was held and not deposited until April 24. Other gun permit monies were deposited during this time frame on April 14, 17, 19, and 21.

To ensure gun permit monies are properly accounted for, gun permits issued should be reconciled to gun permit receipts, gun permit fees should be collected at the time of application, and gun permits should be posted to the accounting system when received. In addition, the method of payment should be recorded on the receipt slips, the composition of receipt slips issued should be reconciled to the composition of deposits, and deposits should be made intact and on a timely basis.

E. The reconciled bank balance of the Sheriff's fee account was a negative (\$1,742) at December 31, 2006, and monthly listings of open items (liabilities) were prepared for the Sheriff's fee account; however, the listings were not reconciled with the cash balances of this account. For example, the listing of liabilities at December 31, 2006 was \$1,058 and exceeded the cash balance by \$2,800. This shortage could not be explained by the Sheriff.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. In addition, the Sheriff should investigate this shortage and take appropriate action.

- F. The Sheriff does not follow up on old outstanding checks of the fee account. As of December 31, 2006, there were thirty nine checks over a year old totaling \$317.

These old outstanding checks create additional and unnecessary record-keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time.

- G. The Sheriff's office two petty cash funds are not maintained on an imprest basis. According to the Sheriff, a petty cash fund of \$200 is maintained for food purchases for the jail and another petty cash fund of \$150 is maintained for office expenditures. Our count of the petty cash fund for food purchases indicated receipts of \$171 and cash on hand of \$10, resulting in a shortage of \$19. Our count of the petty cash fund for office expenditures indicated receipts of \$105 and cash on hand of \$2, resulting in a shortage of \$43. The two petty cash funds were reimbursed approximately \$1,458 and \$1,447 from the General Revenue Fund during the years ended December 31, 2006, and 2005. In addition, receipt and disbursement records supporting the petty cash funds activity were not maintained.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, receipt and disbursement records should be maintained, and the petty cash funds should only be used for their intended purpose.

- H. While the Sheriff generates a report of uncollected paper service fees each year, no follow up procedures have been established to collect these fees. The Sheriff's department frequently serves papers for courts, attorneys and individuals relating to civil cases. The Sheriff's department collects fees and mileage reimbursements in return for serving papers. During instances when additional costs are incurred, the Sheriff's department will bill the entity once the papers have been served. During the years ended December 31, 2006 and 2005, \$1,929 and \$2,479, respectively, remained uncollected. By not adequately monitoring unpaid civil paper service fees, these fees could remain uncollected and might eventually result in lost revenue.

- I. The sheriff receives donations to help fund the Drug Awareness and Resistance Education (DARE) program in order to give children the skills they need to avoid

involvement in drugs, gangs, and violence. These donations were deposited into the DARE Fund. During the year ended December 31, 2006, the Sheriff transferred \$1,000 from the DARE Fund to cover payroll expenditures of the Corps of Engineers Fund used to patrol Corps of Engineer property. The Sheriff provided no documentation to indicate that these DARE funds were spent for the DARE program.

As a result, these donations may have not been used in the manner in which the donor intended. Donors place a fiduciary trust in their public officials to expend funds in the manner in which they were intended.

- J. The Sheriff indicated that some Sheriff's office employees are provided meals prepared at the jail; however, documentation of the number of meals provided to employees is not maintained. The Sheriff's office policy indicates that on duty jailers may eat one meal prepared at the jail per shift. Additionally, the number of meals provided to employees is not included in the average meal cost thus overstating the county's average meal costs. Total meals served should also be used in determining the average meal costs.
- K. Adequate supporting documentation was not retained to support expenditures of the West Central Drug Task Force Fund maintained by the Sheriff. Adequate supporting documentation was not retained for 5 of 6 expenditures reviewed. The Sheriff indicated these payments were for Methamphetamine lab fees (\$3,659) funding of a Domestic Violence Task Force (\$2,000), an undercover operative (\$500), replacement of a windshield on a leased vehicle (\$215), and lodging (\$134). In addition, the invoices reviewed were not marked paid or otherwise cancelled, and the acknowledgement of receipt of goods or services was not indicated on the invoices prior to the expenditure being approved for payment. Also, a vehicle lease payment was not made in a timely manner, and a late payment fee of \$29.76 was assessed and paid by the Sheriff.

All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of receipt of goods or services is necessary to ensure the county actually received the items or services. Good business practices require timely payments of invoices. See finding number 06-3 for other concerns relating to the West Central Drug Task Force Fund.

A condition similar to Part D. was noted in the prior report.

WE RECOMMEND the County Commission:

- A. Track the costs to conduct the carry and concealment classes and document the number of attendees to ensure the fee charged is adequate.

- B. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk. Ensure all salary payments and wages are subject to payroll withholdings and reported on W-2 forms.
- C. Deposit all monies intact and in a timely manner, restrictively endorse all checks immediately upon receipt, and ensure all receipts are recorded in the accounting system.
- D. Ensure the number of gun permits issued is reconciled to gun permit receipts, gun permit fees are collected when the application is completed, and the date and method of payment is recorded on the receipt slips. In addition, gun permit receipts should be posted to the accounting records and deposited intact and in a timely manner.
- E. Prepare monthly listings of open items and reconcile the listing to the bank balance. In addition, the Sheriff should investigate the shortage and take the appropriate action.
- F. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- G. Ensure the petty cash funds are maintained on an imprest basis. In addition, a ledger should be prepared of all petty cash transactions.
- H. Establish adequate procedures to monitor and collect unpaid paper service fees.
- I. Ensure donations are expended as they are intended.
- J. Document the number of employee meals served at the jail and include these meals in the calculation of prisoner meal costs.
- K. Ensure adequate supporting documentation is retained for all expenditures, all invoices are properly cancelled, and require all invoices to be initialed or signed to indicate acceptance of the goods or services. In addition, ensure all invoices are paid in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I can itemize the costs in the future.*

- B. *I will implement this recommendation.*
- C. *My office is currently restrictively endorsing checks immediately upon receipt, and I will try to make deposits and record receipts in a more timely manner.*
- D. *My office no longer handles gun permits.*
- E. *I believe fees were overpaid to the county in April 2006 which caused the shortage. I plan to correct the shortage in April 2008.*
- F. *I will try to reissue these outstanding checks or will turn them over to the State unclaimed fees, if applicable.*
- G. *I have started tracking petty cash transactions.*
- H. *I will try to document which amounts that have been billed that I feel are uncollectible.*
- I. *I pay the DARE officer from the Corps of Engineers Fund and this transfer was made to cover a portion of her salary.*
- J. *My office will track employee meals.*
- K. *I will try to maintain supporting documentation in the future.*

AUDITOR'S COMMENT

- E. Given the shortages and other concerns identified, the Sheriff needs to investigate the shortages immediately and take appropriate action.

9.	Sheriff's Seized Property
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Controls and procedures over seized property need improvement. Under the Criminal Activity Forfeiture Act, Section 513.600, RSMo, the Sheriff may seize property after an investigation reveals that the property was purchased from proceeds of drug sales by a defendant. The Sheriff also routinely seizes property to be used as evidence for cases that are not drug-related.

- A complete listing of seized property is not maintained, and periodic inventories of property on hand are not conducted. A computerized system is used to record seized property by case; however, the Sheriff indicated the software prohibited them from having a control total. A complete manual listing of all seized property on hand is also not maintained.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

- Several items in the evidence room have been held for a long period of time. For example, hunting and fishing equipment, tools and other miscellaneous items seized in November 2005 were still on hand and have not been disposed of.

Section 542.301, (5) RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use or theft, and the related potential liability of the county for such possible improper access or use.

- Seized property is not stored in one centralized location, but instead is stored at four locations including: the interrogation room in the Sheriff's office, the garage located behind the Sheriff's office, at other county property, and at local storage facility. In addition, six Sheriff's office employees have access to these seized property locations. To ensure seized property is more easily accounted for and adequately safeguarded, seized property should be stored in fewer locations and access should be limited.

WE RECOMMEND the Sheriff maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated. Also, make timely and appropriate dispositions of seized property, store seized property in fewer locations, and limit access to the seized property.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

I will look into a new software program to track seized property. In addition, I will try to dispose of old items, condense the locations where seized property is stored, and limit access.

The Ex-Officio County Collector did not include all activity on her annual settlement, and did not distribute protested taxes in a timely manner. The Ex-Officio County Collector did not correctly calculate and distribute delinquent tax and surtax commissions, and Proposition C ratios were not used to calculate the county's assessment withholdings on delinquent taxes collected and distributed. Improvement is needed in how the Treasurer and Ex-Officio County Collector handles old outstanding checks. Monies are not deposited intact as cash refunds are made and mailed to taxpayers for overpayments of taxes paid by check.

- A. The Ex-Officio County Collector's annual settlements for the four years ended February 28, 2007, did not include all activity of her office, and collections and distributions reported on the annual settlement did not agree. For example, collections reported on the annual settlements were approximately \$12 million while distributions were only \$6 million during the years ended February 28, 2007, 2006, 2005, and 2004, respectively.

The Ex-Officio County Collector failed to include distributions made by the township collectors, and distributions of interest earned on investments, County Employee Retirement Fund (CERF) fees, tax maintenance fees, and licenses collected by her office on the annual settlements.

In addition, distributions to each political subdivision reported by the Ex-Officio County Collector on her annual settlement appeared inaccurate and inconsistent from year to year. For example, distributions to the State reported on the annual settlements for the two years ended February 28, 2007 and 2006, were \$75,602, and \$29,371, respectively. Other inconsistencies in distributions reported on the annual settlements reviewed were noted. The Ex-Officio County Collector could not explain the discrepancies noted from year to year.

Also, the summary or total page of the annual settlement failed to include collections reported on other pages of the annual settlement from interest on taxes, penalties, interest earned on investments, licenses, late assessment charges, and tax maintenance fees which averaged approximately \$370,000 annually.

Further, charges of protested taxes and interest totaling \$213,648 and refunds of protested taxes totaling \$137,008 were not included on the annual settlement, and protested taxes held in escrow were overstated by \$284,372 for the year ended February 28, 2006.

In addition, the County Clerk's office maintains account books for the Ex-Officio County Collector and the nineteen Township Collectors; however, there is no evidence that the County Clerk and County Commission reviewed the account books to help verify the accuracy of the Ex-Officio County Collector's annual settlements.

Section 139.600.3, RSMo, states that "...the collector shall...settle her accounts of all monies received by her on account of taxes and other sources of revenue..." By not accurately reporting all sources of revenues and distributions, the Ex-Officio County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

- B. The Ex-Officio County Collector did not distribute and refund protested taxes to political subdivisions or to the tax payer in a timely manner. For example, the Ex-Officio County Collector was still holding \$27,217 of protested taxes as of January 2008 related to a case which was dismissed by the State Tax Commission in October 2004. According to the Ex-Officio County Collector, she has not disbursed these protested taxes, because she has not been provided information from the County Prosecuting Attorney regarding the resolution of the case.

In addition to being required by state law, timely distributions of property tax collections to the political subdivisions are important because most political subdivisions rely heavily on property tax revenues to fund their operations.

- C. The Ex-Officio County Collector did not correctly distribute delinquent tax commissions for the year ended February 28, 2007. Section 54.320, RSMo, allows a three percent commission on all licenses and taxes collected by the Ex-Officio County Collector to be withheld and distributed to the county (General Revenue Fund). The Ex-Officio County Collector correctly withheld the three percent commission; however, it was not distributed correctly to the county General Revenue Fund. Approximately 43 percent (3/7ths) and 29 percent (2/7ths) of this commission due to the General Revenue Fund was incorrectly distributed to the CERF and Tax Maintenance Funds, respectively. For example, during the month of February 2007, \$1,132 of the \$1,585 (three percent) withheld for the county (General Revenue Fund) was distributed to the CERF (\$679) and Tax Maintenance Funds (\$453). A review of monthly commissions should be performed for past years and any corrections should be made.
- D. The Ex-Officio County Collector did not correctly calculate and distribute surtax tax commissions. Section 54.320, RSMo, allows a three percent commission on all licenses and taxes collected by the Ex-Officio County Collector to be withheld and distributed to the county (General Revenue Fund). In addition, Section 137.720, RSMo, allows a one and a quarter percent commission on all ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and be deposited into the assessment fund of the county. During the year ended February 28, 2007, the Ex-Officio County Collector withheld the three percent and one and a quarter percent commissions from the total amount of surtax totaling \$4,622 and \$2,212, respectively; however, she incorrectly withheld an additional three percent and one percent commissions from the school districts in the county totaling \$3,131 and \$1,044, respectively. As a result, the various school districts in the county are owed additional tax monies. A review of surtax commissions should be performed for past years and any corrections should be made.

- E. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings, the Ex-Officio County Collector computes ratios of unadjusted and adjusted school tax levies. These ratios were not used to calculate the county's one and a quarter percent assessment withholdings on delinquent taxes collected and distributed during the year ended February 28, 2007. As a result, the county's Assessment fund received less withholdings than allowed. These errors apply to the Henry County R-I School District (Windsor), currently the only school district in the county whose property taxes are affected by Proposition C. A review of commissions should be performed for past years and any corrections should be made.

The Ex-Officio County Collector should review all incorrect Proposition C calculations, recalculate the proper amounts of withholdings, and make applicable adjustments to the distributions to the applicable school district and Assessment Fund.

- F. The Treasurer and Ex Officio County Collector has not established procedures to routinely follow up on old outstanding checks. No attempts have been made to reissue some old outstanding checks. Two checks issued in 2003 and two checks issued in 2005 had a stop payment placed in July 2006; however, these checks totaling \$671 have never been reissued. In addition, at February 18, 2008, nine checks issued by the Treasurer totaling \$1,857 had been outstanding since December 2006. Most of these checks were issued to political subdivisions and businesses the county regularly does business with, and it is unclear why these checks had not been reissued by the Ex Officio County Collector or Treasurer.

Old outstanding checks should be voided, a stop payment issued, and new checks be reissued immediately to payees that can be located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

- G. Monies are not deposited intact as cash refunds are made and mailed to taxpayers for overpayments of taxes paid by check. To ensure receipts are deposited intact and to reduce the risk of loss or misuse of funds, all refunds should be made by check.

WE RECOMMEND the Ex-Officio County Collector and Treasurer:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should review the annual settlement for accuracy and completeness.
- B. Ensure that protested taxes are disbursed in a timely manner.

- C. Recalculate commissions for past years and correct the error by withholding monies from future tax distributions or by transferring monies from the CERF and Tax Maintenance Funds to the General Revenue Fund. In addition, ensure future commission calculations are accurate.
- D. Review surtax commissions for past years and correct errors. In addition, ensure future commission calculations are accurate.
- E. Recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed to the schools and the Assessment Fund. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.
- F. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- G. Deposit all monies intact and write checks for refunds of overpayments.

AUDITEE'S RESPONSE

The Treasurer and Ex Officio County Collector provided the following responses:

- A. *Now that we are aware that the report was wrong, we are working to correct the annual settlement and will file an amended annual settlement.*
- B. *We can only disburse the protested taxes when we receive information from the Prosecuting Attorney regarding the resolution of the case. Once my office received a letter from the Prosecuting Attorney in February 2008, the protested taxes were disbursed with the monthly settlement.*
- C. *My office was calculating these figures how we believed the CERF auditor said that my office should. My office will go back and review these calculations.*
- D. *My office contacted the computer programmer about the problem, and he has now fixed the computer program.*
- E. *I will investigate this and correct if needed.*
- F. *We missed stopping payment on a couple of checks and did a stop payment on those checks in 2006. We deposit outstanding checks back into the account from which they came. The checks that we stop payment on are usually already paid when another bill from the same entity is then submitted to the County Commission. We are following up on all old outstanding checks and are trying to resolve them.*

- G. *If my office does write checks for all overpayments, some of the checks will only be a cent or two. My office has established a policy where any overpayments under \$2 will not be refunded.*

The Prosecuting Attorney provided the following response:

- B. *I assumed the Treasurer was aware of the disposition of the case and had disbursed the funds.*

11. Public Administrator Controls and Procedures

The Public Administrator and Associate Circuit Judge have not established a fee policy, which would ensure all estates were charged fees in an equitable manner. The Public Administrator has not established procedures to monitor collateral securities pledged by client's depository banks. Settlements were not always accurate and complete, and Forms 1099 were not prepared for individuals who were paid in excess of \$600.

The Public Administrator acts as the court appointed personal representative for wards of the Associate Circuit Division (Probate Court) and is responsible for receiving, disbursing, and accounting for the assets of those individuals. The Public Administrator collects fees from each of these estates and uses some of the fees to pay the expenses to maintain her office. During the two years ended December 31, 2006, the Public Administrator had responsibilities for approximately 115 wards.

- A. While the Public Administrator receives fees from the estates upon approval of the Associate Circuit Judge, the Public Administrator and Associate Circuit Judge have not established a formal fee policy. During the years ended December 31, 2006 and 2005 the Public Administrator received \$97,794 and \$58,727 in fees from the estates. These fees include monthly fees, transportation and hourly fees, settlement fees, and cost of check fees. In addition, in 2007, a postage and supply fee was charged to each estate.

During 2006, the Public Administrator charged a fee to all estates based on five percent of all expenditures made on behalf of the ward with a minimum fee of \$40 per month.

Transportation fees were based on mileage claimed at the IRS standard mileage rate. Hourly fees represent compensation for services deemed "beyond the scope of normal administrative fees," and the Public Administrator received hourly fees of \$40 and \$30 per hour in 2006 and 2005, respectively. For example, during 2006 the Public Administrator charged one of the larger estates transportation and hourly fees of \$2,650 in addition to the monthly fees of \$2,811 totaling \$5,461 for the year. While the Public Administrator maintains records of services performed, the related hours worked, and mileage driven and other costs for each of her wards for this additional "beyond the scope of normal administrative" fee, no basis or guidelines

have been established to define normal duties.

Annual settlements are prepared by the Public Administrator and a settlement fee is also charged. The Public Administrator indicated that a settlement preparation fee had not been established and that she charges this fee based upon her judgment. During 2006 settlement fees charged to four of the Public Administrator's largest estates ranged from \$200 to \$750 per estate.

Annual cost of check fees were \$15 and \$12 during 2006 and 2005, respectively. In addition, starting in 2007, each estate is being charged an annual \$25 postage and supply fee. Although some estates are larger than others and have more activity, each estate is being charged the same check and postage and supply fee. During our review of postage fees charged, the actual cost of postage was less than the amount charged to each estate. The Public Administrator indicated that she will not charge the estates these fees for a couple of months to off-set any over charge for postage.

In addition, some fees assessed and collected by the Public Administrator may have been excessive. For example, during our review of fees, \$1,832 of fees charged and collected by the Public Administrator were later returned to the applicable estates. The Public Administrator indicated she returned these fees because she felt she had charged the estates inappropriately.

To ensure all estates are treated equitably the Public Administrator should work with the Associate Circuit Judge to develop a fee policy. If the current practice is continued, criteria should be established for determining a basis for the various fees charged when cases are assigned to the Public Administrator. The policy should address the percentages considered appropriate, allowable rates per hour, and a rate structure for additional fees pertaining to settlement preparation, check and postage and supply fees.

- B. The Public Administrator has not established procedures to monitor collateral securities pledged by client's depository banks. The Public Administrator maintained funds in three bank accounts with balances exceeding \$100,000 as of May 1, 2006, which were not adequately covered by collateral securities. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage. Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.
- C. Annual settlements prepared by the Public Administrator were not always accurate or complete. For example, a final annual settlement was filed on June 19, 2006 for an estate and an amended settlement was later filed on July 20, 2006. The amended settlement did not include all activity for the period of June 20, 2006 to July 19, 2006. For example, the ending balance reported on June 20th settlement totaled to

\$720,232 and the beginning balance on the July 19th settlement only totaled to \$452,256 resulting in activity totaling \$267,976 not being accounted for.

In addition, while the Public Administrator reported an inheritance of \$55,658 in the ending cash balance of an estate's annual settlement; it was not reported as income on the annual settlement.

To ensure the financial activity of the estates is accurately reported to the Probate Court, all receipts and disbursements should be accurately recorded on the annual settlements. If the Probate Court had adequately reviewed the settlements, these problems may have been identified.

- D. Forms 1099 were not prepared for individuals who were paid in excess of \$600 from an estate for maintenance and repairs made to the ward's property. For example, during 2006 the Public Administrator paid an individual \$1,500 to paint a ward's home and another individual was paid \$995 for repairs made to a door. Section 6041-6051 of the Internal Revenue Code requires an IRS Form 1099-MISC be completed for every payee other than corporations receiving \$600 or more in aggregate during a calendar year for services performed as a trade or business by non employees.

WE RECOMMEND the Public Administrator and Associate Judge:

- A. Establish a fee policy that will ensure all estates are charged in an equitable manner.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- C. Ensure annual settlements are accurate and complete.
- D. Ensure 1099 forms are prepared in accordance with IRS guidelines.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *All fees, past and present, have been Court approved. The Henry County Probate Court has had in place several orders in the past that have addressed fees and expenses to be charged and received by the Public Administrator for services rendered and expenses incurred. Probate Court Judge Strothmann is in the process of preparing a new Court Order that encompasses the prior orders and clearly establishes guidelines for such fees and expenses. The Public Administrator has reviewed the proposed Order and finds that it is acceptable and equitable to all parties.*

The increase in annual collected fees from 2005 to 2006 cited by the Auditor's Report represents the increased number of solvent ward/protectees assigned to the Public Administrator and completion of the first annual cycle.

The Court approved check fee, saves all ward/protectees money by replacing costs paid to the bank for pre-printed checks with a lower cost for computer generated checks through this office.

The Public Administrator agrees that tracking postage on a stamp-by-stamp basis is the most accurate way of tracking ward protectee postage costs – and this has been done when there were fewer ward/protectees; however, the time and effort involved to maintain this system is cost prohibitive and would require an increase in clerical workforce. The increased clerical time required to track stamps on a stamp-by-stamp basis would far exceed the current \$2.08 per month, or 4.95 stamp per-month charge (reflecting the May 12 USPS postal increase). The per-month stamp charge is reviewed annually and adjusted as needed.

Again, all fees have been Court approved and no fees charged were excessive when charged. In rare instances, the Public Administrator has returned or refunded money to estates. This occurred when administrative errors were made and subsequently discovered or in several instances the Public Administrator refunded portions of fees that had been approved and paid when an estate would later encounter financial difficulties due to subsequent circumstances. These refunds should not be mistaken or viewed as a refund of an excessive fee; but rather was an attempt to aide an estate when circumstances cause the estate to suffer financially. This is an expense the PA would advance and is typically not recovered.

The case referenced by the Auditor's Report regarding transportation and hourly fees included labor and administrative work to market five properties located in five counties. The majority of this work was accomplished after business hours and on the weekends.

- B. The Public Administrator will monitor and ensure collateral securities are pledged for all funds on deposit in excess of FDIC coverage.*
- C. Two cases were cited in the Auditor's Report. The first involved the closing of a conservatorship and later the initial inventory of the personal representative account for the same ward/protectee. All funds were accounted for. However, because the funds referenced were pay-on-death, the funds were reflected in the conservatorship final settlement. Because those funds became the property of the inheritor upon death of the ward/protectee, the funds were not reflected in the initial inventory of the personal representative. The Public Administrator will work with the Court to ensure the disposition of conservatorship assets is more easily ascertainable from the files in these circumstances.*

The second case cited, discussed showing all monetary transfer-ins to an estate as income. All funds were accounted for. The discussion revolves around which line the funds are accounted on. The Public Administrator will show monetary transfer-ins as income in the future.

- D. *The Public Administrator will ensure 1099 forms are prepared in accordance with IRS guidelines.*

The Associate Circuit Judge provided the following responses:

- A. *The Court does have written orders which set standard fees for the Public Administrator. From time to time, the Public Administrator requests additional compensation when she feels that such fees are warranted, and the Court reviews those requests on a case-by case basis and determines what, if any, additional fees should be allowed. The Court will consider whether more formal orders should be entered that outlines in more detail the circumstances under which the Public Administrator is entitled to additional compensation from a particular estate.*
- C. *The case mentioned references a difference between the final assets in a conservatorship estate, and the initial inventory filed in that same person's decedent's estate upon their death. Not all of the assets that were in the conservatorship estate passed to the decedent's estate, due to some items being subject to a non-probate transfer (such as a transfer-on-death designation or a joint ownership). While all of the assets were accounted for, it was not easily apparent from the files why the amount differed from one estate to the other. The Court agrees that the disposition of the conservatorship assets should have been more easily ascertainable from the files. The court also agrees that settlements should clearly show all receipts and disbursements.*

12. Circuit Clerk's Accounting Controls and Procedures

A complete listing of accrued costs owed to the Circuit Court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk does not review the listing of liabilities (open items) to ensure that monies on hand have been disposed of in a timely manner. In addition, receipts are not always deposited intact or in a timely manner, and no procedures have been established to follow up on old outstanding checks. Also, the Circuit Clerk does not post interest earned to the Circuit Clerk Interest Fund in a timely manner.

The courts collected and disbursed civil and criminal case fees, fines, and bonds totaling approximately \$790,000 and \$880,000 for years ended December 31, 2006 and 2005, respectively.

- A. A complete listing of accrued costs owed to the Circuit Court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk relies on the probation and parole officers to ensure that monies owed to the court are paid. Upon our request, the Circuit Clerk ran a report of accrued costs totaling \$549,573 due to the Circuit Court as of September 2007. The following concerns were identified during our review of five cases included on this listing:

- The listing included one case with \$4,264 in criminal costs due which had not been billed to the State upon incarceration of the defendant to the Department of Corrections in January 2006.
- The listing included one case with \$4,244 due; however, amounts due were paid by the State in April 2004 and were incorrectly posted to the accounting system. The Circuit Clerk indicated the amount had been recorded as a receipt, but was not posted to this case. The case would show this as an accounts receivable balance until the defendant was released from prison.
- The listing included one case with \$93 due; however, the case file indicated the judge waived these fees in November, 2004.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue. A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts owed to the court and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

B. The Circuit Clerk prepares a monthly open items listings for the fee account and compares the total open items with the reconciled cash balance of this account; however, she does not review the listing to ensure that monies on hand have been disposed of in a timely manner. The December 2006 open item listing totaled \$69,702, and the following concerns were identified during our review of five open items included on the listing:

- A \$1,000 bond was received in June 2006; however, the case file indicated no charges were ever filed, and the bond was not refunded until we brought it to the attention of the Circuit Clerk on November 29, 2007.
- A \$500 bond was received in July 2004, and the defendant paid all related court costs and fines in October 2005; however, the bond was not refunded until we brought it to the attention of the Circuit Clerk on November 29, 2007.
- Two bonds in the amounts of \$183 and \$150 were received in September 2003 and November 2004, respectively. Case files do not exist for these bonds, and the court has not properly disposed of the bond monies. The Circuit Clerk indicated that charges were probably not filed related to these two bonds.

Procedures should be adopted to routinely follow-up on old open items and disburse amounts when the applicable case is closed. For amounts that are unclaimed, various statutory provisions provide for the disposition of unclaimed monies.

- C. Receipts are not always deposited intact or in a timely manner, and controls over the daily close out procedures could be improved. For example, \$1,938 of fines, court costs, and bonds received on September 11, 2007 were withheld from the deposit made on September 12, 2007 and \$794, \$874, and \$270 were not deposited until September 13, 14, and 17, 2007, respectively. Seven clerks collect receipts and the office manager prepares all deposits. The office manager indicated some daily close out sheets and the related monies were left in the safe and not deposited. The court has no procedures in place to ensure that all collection points are reporting on a daily basis.

Also, monies received for civil service fees are held and not recorded or deposited by the Circuit Clerk's office. These monies are held until the court prepares the related paper service documents and are then transmitted to the Sheriff's office for completion of the paper service. For example, three paper service receipts totaling \$75 and dated July 9, 2007 and July 18, 2007 were not transmitted to the Sheriff's office until September 17, 2007.

In addition, checks received in the mail are not always restrictively endorsed immediately upon receipt. Some clerks do not endorse checks received in the mail until the deposit is prepared.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited intact on a timely basis and the court should consider improvements to daily close out procedures that would improve accountability. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. The Circuit Clerk has not established procedures to routinely follow up on outstanding checks. For example, at December 31, 2006, four checks totaling \$743 were over one year old.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

- E. The Circuit Clerk does not post interest earned on her fee account to the

Circuit Clerk Interest Fund in a timely manner. For example, interest earned during the period October through December 2004 totaling \$359 was not posted to the interest fund until May 2005. In addition, November and December 2005 interest totaling \$412 was not posted until March 2006. To ensure interest monies are accounted for properly, interest should be posted to the Circuit Clerk Interest Fund when earned.

WE RECOMMEND the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court.
- B. Establish procedures to review open items on hand, and attempt to identify all closed cases with open items and disburse these amounts. Any unclaimed or unidentified monies should be disposed of in accordance with state law.
- C. Deposit all monies intact and in a timely manner, and consider improvements to controls over daily close out procedures. In addition, restrictively endorse all checks and money orders immediately upon receipt.
- D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- E. Post interest earned to the Circuit Clerk Interest Fund in a timely manner.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I will follow-up and review accrued costs more closely.*
- B. *I will review open items more closely and will bring these items to the Judge's attention.*
- C. *I will continue to try to ensure the daily cash close out reports are performed on a daily basis, and I may not have enough staff to process the civil service fees in a timely manner. I will try to ensure checks are restrictively endorsed immediately upon receipt.*
- D. *I will follow-up on outstanding checks more closely.*
- E. *This has been corrected.*

The Associate Circuit Judge provided the following response:

- C. *The Court will work with the Circuit Clerk to ensure that bonds are refunded in a timely manner.*

13. Juvenile Office Accounting Procedures
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The Juvenile office has not entered into a written contract with outside legal counsel who represents the office in non routine litigation. No formal tracking, follow-up, or write-off procedures exist for unpaid detention fees. Receipts are not deposited and bank reconciliations are not performed in a timely manner. The Juvenile office maintains a petty cash fund that has not been used since 2006, and a monthly open items listing for one bank account had not been prepared.

The Juvenile office collected county reimbursements for expenses incurred to operate the juvenile office, detention payments, restitution and fees, donations, grant funds, and other miscellaneous receipts during the years ended December 31, 2006 and 2005 of approximately \$204,000 and \$217,000, respectively. The Juvenile office maintains three bank accounts.

- A. The Juvenile office has not entered into a written contract with outside legal counsel who represents the office in non routine litigation. Outside legal counsel is hired when the case is more complex and requires specialized services such as the removal of parental rights. During the years ended December 31, 2006 and 2005, this attorney was paid \$20,512 and \$18,246, respectively.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- B. The Juvenile office has no tracking, follow-up, or write-off procedures for unpaid detention fees. When juveniles are detained, the office prepares a billing for the expenses incurred; however, they do not track the amount billed, paid or owed to the office. No follow-up procedures are completed and fees are never written off as uncollectible.

To maximize revenues, the Juvenile office should establish a tracking system of unpaid detention fees and adopt procedures to ensure all applicable steps have been taken to collect unpaid detention fees, and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected.

- C. Receipts are not deposited in a timely manner. For example, receipts totaling \$2,460 collected on October 15 and 19 and November 2 were not deposited until

November 6, 2007. In addition, a \$100 cash receipt for restitution was received on May 31, 2006 and was not deposited until June 7, 2006. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and in a timely manner.

- D. Bank reconciliations are not performed in a timely manner. For example, the December 2005 Juvenile Court bank account bank reconciliation was not performed until February 2006. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- E. The Juvenile office maintains a petty cash fund of \$20; however, the fund has not been used since April 2006. If it has been determined that the petty cash fund is no longer necessary, the Juvenile office should dissolve the fund and deposit the funds back into the Juvenile office account.
- F. A monthly listing of open items was not prepared for the pre-JIS Community Service Restitution Program bank account. An open items listing was prepared at our request on November 15, 2007, and it indicated \$40 of the \$94 balance was unidentified. This account had activity of approximately \$10,000 annually. To ensure proper disposition of liabilities and that the cash balance is sufficient to pay the liabilities, listings of open items should be prepared and reconciled to the cash balance monthly. In addition, any unidentified monies should be investigated and resolved.

WE RECOMMEND the Juvenile office:

- A. Enter into written agreements for all services provided.
- B. Establish a tracking system for unpaid detention fees. In addition, establish formal procedures to follow up on unpaid fees, and write off fees that may be deemed uncollectible.
- C. Ensure receipts are deposited in a timely manner.
- D. Ensure bank reconciliations are performed in a timely manner.
- E. Review the necessity of the petty cash fund, and if it is determined to be unnecessary the fund should be dissolved.
- F. Prepare open items listings monthly and reconcile the listings to the reconciled bank balance. Any unidentified monies should be investigated and resolved.

AUDITEE'S RESPONSE

The Juvenile Office provided the following responses:

A&D. We will implement these recommendations.

*B,C,
&F. We have implemented these recommendations.*

E. We no longer have a petty cash fund.

14. Prosecuting Attorney's Controls and Procedures

Accounting duties have not been adequately segregated, and receipt slips are not issued for some monies received. Checks and money orders are not kept in a secure location and are not restrictively endorsed immediately upon receipt. Receipts are not transmitted to the County Treasurer in a timely manner, and the Prosecuting Attorney often transfers funds between the bad check account and the Tri County Child Support account to cover expenses.

The Prosecuting Attorney's office collected bad check and other restitution and fees during the years ended December 31, 2006 and 2005 of approximately \$206,000 and \$170,000, respectively. Restitution payments are typically remitted directly to the victims or merchants when received, and bad check fees are transmitted to the County Treasurer to be deposited into the Prosecuting Attorney bad check fee account.

- A. Accounting duties have not been adequately segregated. The bad check clerk collects bad checks and fees, records transactions, and transmits bad checks and fees collected to the victims or merchant and the County Treasurer. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Prosecuting Attorney.
- B. Receipt slips are not issued for monies received through the mail for victims or merchant payments. During our cash count of bad check fees and restitution conducted on September 11, 2007, receipt slips were not issued for \$777 of the \$1,315 counted. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt.
- C. Checks and money orders are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the transmittal is made to the County Treasurer. In addition, receipts are not kept in a secure location. Receipts are kept in a file on the bad check clerk's desk. To reduce the risk of loss or misuse of funds,

checks and money orders should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited.

- D. Receipts are not transmitted to the County Treasurer intact or in a timely manner. During a cash count conducted on September 11, 2007, a \$100 money order was held and not transmitted to the County Treasurer on September 12, 2007 with the other receipts counted. The \$100 money order was later transmitted to the County Treasurer on September 28, 2007.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be transmitted to the County Treasurer intact and in a timely manner.

- E. The Prosecuting Attorney indicated that he often transfers funds from the Prosecuting Attorney Bad Check Fund to the Tri County Child Support Fund to help cover payroll and other expenses until funds from other counties and the state are received. When funds are received, the Prosecuting Attorney either transfers monies back or deposits the reimbursement checks received into the Prosecuting Attorney Bad Check Fund. The Prosecuting Attorney should consider establishing and maintaining a balance in the Tri County Child Support bank account to eliminate the necessity of transferring monies between funds on a regular basis.

Conditions similar to Parts B. and D. were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed.
- B. Issue receipt slips for all monies received.
- C. Ensure money orders are restrictively endorsed immediately upon receipt and are kept in a secure location.
- D. Transmit all monies to the County Treasurer intact and in a timely manner.
- E. Consider establishing and maintaining a balance in the Tri County Child Support bank account.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. Due to the limited staffing the segregation of duties recommended cannot be achieved. Periodic supervisory reviews of the hard files and the computer program are already being performed by me.*
- B. My office does not accept cash. Receipt slips are always issued when payment is made in person by the check writer. Receipt slips were not issued for payments made through the mail but are issued now and will be issued in the future. It should be noted that the bad check software adequately accounts for those receipts. That data is protected by a double redundant backup system. I cannot comment on the September 11, 2007 sample because it was not discussed with me when the sample was made. However, many of our receipts are received by mail and I assume the funds noted were received in the mail. It should also be noted that the position of bad check clerk was occupied by a person who was relatively new at the time and that position became vacant again a few days later.*
- C. We believe the security of the receipts was and is adequate. Because of the number of staff members in this office, all members must from time to time perform the duties of bad check clerk, so all members must have access to the receipts and records. Access to the office is restricted so the physical security of those receipts is adequately protected. However, we have begun endorsing receipts immediately.*
- D. We believe the receipts have been transmitted in an adequately timely manner. There are a myriad of reasons why individual money orders are held for a longer time than usual such as having been made out by the maker to the wrong party. The money order mentioned in the audit report was received on September 11 by a bad check clerk whose last day of employment was two days later. Her duties had to be absorbed by other staff members and this resulted in some tasks not being performed as quickly as we would have liked.*
- E. This recommendation is being considered.*

15. Recorder of Deeds Controls and Procedures
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Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled to cash balances. As a result, some fees had been on hand since July 2006 and not been disbursed to the County Treasurer. At December 31, 2006 the Recorder of Deeds was holding \$1,696 of excess fees in her bank account including \$1,227 of fees collected in July 2006. In addition, the method of payment received is not always indicated on the recorded documents or on receipt slips issued, the composition of receipts is not reconciled to the composition of bank deposits, and receipt books are not always retained.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. Any differences between the monthly listing of open items and reconciliations should be investigated and resolved. In addition, to ensure monies collected are properly recorded and deposited, the method of payment should be recorded and reconciled to monies deposited, and receipt books should be retained.

WE RECOMMEND the Recorder of Deed's prepare monthly listings of open items and reconcile the listing to the bank balance, and any differences between the monthly listing of open items and reconciliations should be investigated and resolved. In addition, ensure the method of payment is recorded on all documents and receipt slips and the composition is reconciled to deposits. Receipt books should be retained.

AUDITEE'S RESPONSE

The Recorder of Deeds indicated she will implement these recommendations.

16. County Clerk's Controls and Procedures

The County Clerk's office accepts cash, checks, and money orders. Rediform receipt slips are used, and the method of payment received is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. In addition, accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer.

Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the County Clerk cannot ensure all monies collected are ultimately recorded and transmitted. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the County Clerk.

The County Clerk's office processed receipts for notary licenses, liquor licenses, and voter lists of approximately \$25,000 and \$16,000 during the years ended December 31, 2006 and 2005. While the County Clerk does not appear to collect a large amount of fees, control weakness such as these need to be improved.

WE RECOMMEND the County Clerk issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. If a change fund is needed, it should be maintained at a constant amount. The County Clerk should segregate accounting duties to the extent

possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The County Clerk indicated he will make every effort to comply with the recommendations of the audit. While the entire staff has been responsible for collecting fees and recording fees from transactions, the County Clerk will make every effort to review periodically the reports and document such.

17.

Assessor's Controls and Procedures

The Assessor's office accepts cash, checks, and money orders. Rediform receipt slips are used, and the method of payment is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Abatement and split assessment fees are held for transmittal until the end of the year, and some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. Also, checks are not restrictively endorsed immediately upon receipt. Accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer. In addition, the Assessor also does not file a monthly report of fees with the County Commission.

Without issuing and accounting for official prenumbered receipt slips for all monies collected, including the method of payment, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. In addition, abatement and split assessment fees should be transmitted to the County Treasurer monthly with other fees collected. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Checks and money orders should be restrictively endorsed immediately upon receipt to reduce the potential for loss, theft, or misuse of funds. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Assessor. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

The Assessor's office processed receipts for maps, plat books, abatement and split assessment fees, and waivers of approximately \$4,800 and \$3,400 for the years ended December 31, 2006 and 2005, respectively. While the Assessor does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the Assessor issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals, and transmit fees to the County Treasurer monthly. If a change fund is needed, it should be maintained at a constant amount. Restrictively endorse checks and money orders immediately upon receipt. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. The Assessor should file a monthly report of fees as required by state law.

AUDITEE'S RESPONSE

The County Assessor provided the following responses:

We have started using manual prenumbered receipt slips for all monies received and are documenting the method of payment received. We discontinued charging the abatement and split assessment fees. We will establish a change fund and maintain it on an imprest basis. In addition, all fees will be turned over to the Treasurer. I will obtain a stamp to endorse checks for deposit only and consider segregating duties when new staff is hired. I will file a report of fees with the County Commission.

18. Health Center Accounting Controls
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Because the board did not adequately monitor the financial condition of the health center, it was not determined that various accounting records of the health center were inaccurate (including the 2006 and 2005 budgets) and numerous recording errors went undetected. The health center did not effectively monitor the balances of its bank accounts and issued checks when sufficient funds were not available, resulting in \$125 in overdraft charges. Expenditures exceeded the budgeted amount prior to preparation of a budget amendment. Also, receipt slips did not always indicate the method of payment received and were not issued in numerical sequence. In addition, employees and board members who sign checks and collect monies are not bonded.

- A. The board did not request or review a detailed monthly financial report, and as a result, numerous recording errors made by the former administrator and bookkeeper in the accounting records and budgets (see part B. below) went undetected. The preparation of monthly financial reports for the board's review helps ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, without accurate financial information and budgets, the board can not make informed decisions about the health center's operations.
- B. The ledger balances for the various accounts of the health center had not been properly reconciled to the bank balances, and as a result, it was not discovered that the accounting records maintained by the health center were inaccurate. The health

center utilizes three separate computerized accounting ledgers for its checking, savings, and certificates of deposit (CD) accounts. Individual recording errors and reconciling items which contributed to the inaccurate financial information included the following:

- The purchase of two \$50,000 CDs were recorded twice on January 27 and 31, 2006 in the savings account ledger, and another five purchases of \$50,000 CDs (excluding the two above) were not recorded on the CD ledger when purchased.
- Two deposits totaling \$8,582 were erroneously recorded twice in the savings account ledger.
- A deposit of \$62 was erroneously recorded in the checking account ledger instead of the savings account ledger.
- Interest earned on CDs from 2003 to 2007 totaling \$14,733 was not recorded.
- Four deposits totaling \$82,842 were recorded in the CD ledger erroneously in 2006.

As a result of the inaccurate financial records, the actual financial activity presented on the health center's budgets for the years ended December 31, 2006 and 2005 was also inaccurate. For example, actual receipts and the ending cash balance were understated by \$8,483 and \$8,292, respectively, during the year ended December 31, 2006. In addition, actual receipts and the beginning and ending cash balances were understated by \$3,496, \$1,529, and \$6,549, respectively, and actual expenditures were overstated by \$1,524 during the year ended December 31, 2005. Many of these errors in the accounting records have been subsequently corrected by the board and new administrator.

In addition, by not effectively monitoring the balances of its accounts, the health center issued checks when sufficient funds were not available and was assessed bank charges totaling \$125.

To be of maximum assistance to the board and to adequately inform the public, the accounting records of the health center should accurately reflect the financial activity of the health center and balances of bank accounts should be monitored. In addition, to be of maximum assistance to the health center and to adequately inform the public, the budget should accurately reflect the financial activity of the health center.

- C. According to board minutes on December 21, 2005, the board amended the 2005 budget; however, expenditures had already exceeded the original budget by this date. Budget amendments when applicable should be made when such expenditures are anticipated and prior to their occurrence. While these amendments make it appear as if the health center complied with the law, the timing of this decision did not allow

for the budget to be used as an effective management tool. In addition, the budget amendment was not filed with the State Auditor's Office nor was a copy retained by the health center. Original budget amounts are reflected in the financial statement at Exhibit B of this report.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds, which could not be estimated when the budget was adopted. Further, to ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- D. The method of payment received was not always indicated on the receipt slips issued, and receipt slips were not issued in numerical sequence. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment received should be recorded on the receipt slips, and receipts should be issued in numerical sequence.
- E. The Administrator and two members of the Health Center Board are authorized to sign checks, and three other employees collect monies; however, these individuals are not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the Health Center Board to unnecessary risks.

WE RECOMMEND the Board of Trustees:

- A. Ensure accurate financial reports are prepared and presented to the board in a timely manner.
- B. Ensure accounting records accurately reflect the financial activity of the health center, budgets accurately reflect the past financial activity of the health center, and procedures are in place to effectively monitor bank account balances and to eliminate bank overdraft charges.
- C. Ensure budget amendments are made prior to incurring the actual expenditures, and ensure budget amendments are filed with the State Auditor's Office as required by state law.
- D. Ensure the method of payment is recorded on the receipt slips and receipt slips are issued in numerical sequence.

- E. Obtain adequate bond coverage for all persons with access to monies.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *The current administrator (hired in April 2007) is reviewing all reports being prepared by the current bookkeeper (hired in June 2007) and distributes them to the Board at monthly meetings.*
- B. *The current administrator is reviewing and initialing all bank statements and reconciliations. She reviews all payroll records prior to being submitted to the bank for direct deposit and reviews and initials all accounts payable. A budget is prepared by the administrator and approved by the Board at the beginning of the year. The Board is given and reviews a budget summary (actual vs. budget) each month. Banking services were put out for bid and a new bank (US Bank) was selected in December 2007 as the banking institution. There is only one account which reduces overdrafts and this account is interest bearing,*
- C. *In 2007 and 2008 budget reports were amended and sent to the State Auditor's Office as changes were made.*
- D. *Starting in January 2008 new receipt slips (in numerical sequence) were purchased. The clerks have been informed of the importance of recording method of payment. The bookkeeper also reviews method of payment when doing bank deposits.*
- E. *The Board reviewed and purchased additional bond coverage from State Auto Insurance at the March 25, 2008 board meeting.*

19. Health Center Expenditures

The Health Center is currently purchasing its property and employee health insurance through a firm owned by one of its board members, and also paid the board member for grounds keeping services which created the appearance of a conflict of interest. The health center did not adequately review the design of an RV for use as a mobile dental unit or estimate the total cost of the project to ensure it was feasible prior to entering into a purchasing contract. The board's procedures for reviewing and approving invoices for payment are in need of improvement. Invoices are typically not marked paid, and receipt of goods or services is not always noted on the invoices. A vendor was overpaid because the health center does not adequately reconcile monthly vendor statements with the related vendor invoices. Bids were not solicited for the purchase of a telephone system, and the board did not always enter into written contracts for services provided. Forms 1099 were not always filed with the IRS as required. The Health Center does not have adequate procedures in place to ensure that all 1099s are filed. The general capital asset records of the health

center were not complete.

- A. During the two years ended December 31, 2006, the health center board purchased property and employee health insurance totaling \$4,238 from a board member's insurance agency, and also paid him \$770 for mowing services without bidding these services. In addition, this board member signed the checks for some of these disbursements.

Board members of a health center serve in a fiduciary capacity. Personal interests in business matters of the health center create the appearance of conflicts of interest. In addition, Section 105.458 RSMo, prohibits members of a governing body of any political subdivision from performing any service for any consideration other than the compensation provided for the performance of his official duties and also prohibits financial transactions between the board member that involved more than \$500 per year unless there has been public notice to solicit proposals and competitive bidding. To reduce the appearance of conflict of interest and to ensure full compliance with state law, the board should bid all services provided by the board member. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for health center officials.

- B. Upon approval from the board, the former Administrator signed a contract on March 14, 2007, with a local recreational vehicle (RV) dealer to purchase an RV for \$11,000 to be used as a mobile dental unit; however, the board did not adequately review the design of the RV or estimate the total cost of the project to ensure it was feasible prior to entering into the contract.

On March 21, 2007 the health center paid a \$2,000 down payment on the vehicle and requested the dealer to remove most of the furnishings and to replace the floor covering to prepare it for installation of donated dental equipment. The dealer completed the agreed upon renovations; however, after the former Administrator was terminated, the dental equipment installer informed the board on May 22, 2007 that the RV was structurally and sizably incapable of handling the donated dental equipment. As a result, the new administrator subsequently requested the dealer to sell the RV for the difference owed of \$9,000. In November 2007, the dealer sold the renovated RV for \$3,500 and informed the health center of the remaining liability of \$5,500 related to this business arrangement.

The health center should ensure adequate planning is performed and documented for future projects to ensure design and financial feasibility. Documentation of the planning process further helps to avoid confusion or misunderstandings and to inform citizens.

- C. The board does not review or approve invoices for payment. The board relies on the administrator to approve invoices; however, the current and former Administrator failed to document their approval and review on most supporting documentation. As

a result, 17 of 18 expenditures we reviewed may not have been properly authorized by the Administrator.

Good business practice requires all disbursements to be reviewed by the board or by someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring. To adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, the Administrator should document her review of each invoice.

- D. Invoices are typically not marked paid or otherwise canceled upon payment. In addition, acknowledgement of receipt of goods or services is not noted on the invoices. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the health center actually received the items or services being paid.
- E. Vendor monthly statements were not adequately reconciled with the related vendor invoices, and as a result, the health center overpaid a vendor \$900 in June 2006 for computer support services. The vendor identified the error and subsequently reimbursed the health center. To reduce the possibility of overpayments, the health center should reconcile vendor statements with the related invoices.
- F. Bids were not solicited or advertised by the board nor was bid documentation retained for the purchase of a telephone system costing \$6,940. Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 (revised to \$6,000 in 2007) or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the health center has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in health center business. Documentation of the various proposals received, and the board's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.
- G. The health center did not enter into written contracts for cleaning and mowing services. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written agreements should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.
- H. Forms 1099 were not filed for payments in 2005 totaling \$5,125 for cleaning services. Sections 6041 through 6051 of the Internal Revenue Code require

payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- I. The general capital asset records of the health center were not complete. For example, the asset record did not include land and buildings owned by the health center or donated dental equipment. Adequate capital assets are necessary to safeguard the assets and provide a basis for proper insurance coverage.

WE RECOMMEND the Board of Trustees:

- A. Establish a policy that ensures compliance with statutes and avoids the appearance of a conflict of interest.
- B. The board should ensure adequate planning is performed and sufficient documentation maintained for future developments to ensure the design and financial feasibility of the project, and anticipate and help prevent potential problems.
- C. Review and approve all expenditures of health center funds. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes. Further, the Administrator should document her review and approval of all disbursements.
- D. Ensure all invoices are properly cancelled, by marking the invoice 'Paid', and require all invoices to be initialed or signed by a health center employee to indicate acceptance of goods or services.
- E. Ensure vendor statements are reconciled with vendor invoices to reduce the possibility of overpayments.
- F. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- H. Ensure payments totaling greater than \$600 to nonemployees and unincorporated businesses are properly reported to the Internal Revenue Service.
- I. Ensure all property and assets owned by the health center are included on the general capital asset record.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. The current policy is being revised which includes a "Statement of Interest of Directors" form that will be completed by each board member every year.*
- B. The Board has hired a new administrator that is reviewing and providing better documentation, strategic planning, and goal setting to the board. A strategic planning committee comprised of staff, board members, and community members has been established to be a conduit for future development and projects.*
- C. The current administrator is reviewing and initialing all disbursements. A copy of disbursements is given to the board members each month for their review and approval. The board minutes (starting March 2008) now include a copy of the disbursements.*
- D. The current bookkeeper is writing paid on all invoices starting in January 2008. Also, a Health Center employee is initialing or signing all invoices when goods or services are received and the copy given to the bookkeeper.*
- E. A new filing system was put in place (June 2007) that ensures all vendor statements are reconciled.*
- F. The current administrator has put all major purchases and/or services out for bid. This is reflected in the board minutes. Supporting documents are being kept by the administrator.*
- G. We will enter into written contracts for services provided by non-employees.*
- H. In 2007 and 2008, all payments made to non-employees and unincorporated businesses have been or will be properly reported to the Internal Revenue Service.*
- I. In 2007, the asset list was updated to include the Health Center building and the list is reviewed every six months. Any new purchases of property or assets are currently being added to at the time they are acquired.*

20.

Health Center Payroll

The board terminated the former Administrator and approved and paid him a severance payment totaling \$3,328 and provided \$1,500 bonuses to two employees for work previously performed. The health center allows employees to accrue leave in violation of its own policy. The former Administrator allowed an employee to accumulate a negative vacation leave balance, and he transferred (shared) 60 hours of his own sick leave to two employees without receiving the board's approval. Employee timesheets are not signed by the employee or by a supervisor to document approval.

- A. In April 2007, the board terminated the former Administrator and approved and paid a severance payment totaling \$3,328 (the equivalent of 30 days of service). This payment was not required by an employment contract and does not appear to be a necessary use of health center funds. The Board President indicated that the board thought severance payments were customary in these situations and did not seek legal advice.
- B. In January 2005, the board approved and paid two employees \$1,500 each for work performed during 2004 when the former administrator was on leave. The board indicated these employees performed additional duties during this time. No documentation was retained by the Health Center to indicate that the employees worked additional hours or performed additional duties. These situations appear to represent additional compensation for services previously rendered and, as such, is in violation of Article III, Section 39 of the Missouri Constitution and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered".
- C. The health center allows employees to accrue leave in violation of its own policy. The health center provides vacation and sick leave earned for the year on each employee's anniversary date; however, the personnel policy manual states that leave is to be accrued or earned each month. Accruing the entire year's leave on the anniversary date of each employee creates an unnecessary health center liability and also violates the health center's personnel policy.

In addition, the former Administrator allowed an employee to accumulate a negative vacation leave balance of 47 hours, and the health center is currently recouping these hours from the employee. To ensure employees receive leave benefits only as allowed by the health center's policy, employees should not be allowed to carry negative leave balances.

- D. The health center personnel policy allows employees to share (transfer) a portion of their accrued sick and vacation leave with other health center employees. The policy requires a written request to be submitted to the employee's supervisor and to be approved by the board. In 2006, the former Administrator transferred 60 hours of his own sick leave to two employees without receiving the board's approval. Employees at all levels of employment should follow approved personnel policies.
- E. Employee timesheets are not signed by the employee. In addition, timesheets are not signed by a supervisor to document approval. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

WE RECOMMEND the Board of Trustees:

- A. Consider the necessity of severance payments in the future, and ensure all payments are a necessary use of health center funds.
- B. Discontinue paying bonuses to health center employees.
- C. Ensure leave is accrued and earned in accordance with personnel policies. In addition, periodically review employee leave balances and ensure compliance with the health center's policy.
- D. Ensure shared leave is approved in accordance with health center policy.
- E. Ensure all timesheets are signed by the employee and by the employee's supervisor to document approval.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *In the future, the Board will seek legal counsel when terminating an employee and considering a severance payment.*
- B. *The Health Center will no longer pay bonuses.*
- C. *The current administrator has put into place a new vacation and sick leave policy (in November and December 2007) that accrues vacation and sick leave each pay period. No vacation or sick leave can be taken in the first 90 days and no advances are given to employees. The bookkeeper has implemented an attendance log for each employee that is a "checks and balance" step to eliminate any mistakes. Each month the attendance log is checked against their pay stub which includes their accumulation and usage of vacation and sick leave.*
- D. *The new administrator will ensure the current policy is enforced. No requests have been made in the past year.*
- E. *Effective August 2007, all time sheets are being signed by the employee, the employee's supervisor, and administrator.*

21.

Health Center Minutes

The board took a vote of its members by telephone without a quorum physically present for the meeting in violation of state law, and the board did not always document how closed meetings complied with the Sunshine Law.

- A. On April 19, 2005, the former Administrator contacted four of the five health center board members by telephone to approve the purchase of a printer. Section 610.015, RSMo, requires that a quorum of the members be physically present at the meeting location before any other members are allowed to participate by telephone.
- B. Improvement is needed in the handling of closed meetings. Thirty-two closed sessions were held by the board during January 2005 through December 2007, and the board did not always document how they complied with the various requirements of Chapter 610, RSMo (the Sunshine Law) regarding closed meetings.
- The minutes of open meetings do not always document the reasons for closing the meetings.
 - The board did not document how some issues discussed in closed meetings complied with the Sunshine Law. These topics included employee pay increases, the decision to hire an auditor, and the purchase of a printer.
 - Decisions and votes taken in closed session were not subsequently disclosed in open meetings as required. For example, during a closed session meeting held March 28, 2006, the board passed a motion to purchase a new computer system component without disclosure in an open meeting.
 - The closed meeting minutes do not always include sufficient detail of matters discussed. For example, closed minutes for eleven of the closed meetings held only stated that "personnel issues were discussed."
 - Closed meeting minutes were not always signed. In addition, some open meeting minutes were not signed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public government bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

Also, all minutes should be signed by a member of the board to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

WE RECOMMEND the Board of Trustees ensure full compliance with all provisions of Chapter 610 of the state statutes regarding public votes and meetings.

AUDITEE'S RESPONSE

The Health Center Board of Trustees indicated the current administrator made changes in recording more extensive minutes when she became responsible for the minutes in January 2007. The minutes will be monitored for accuracy and detailed information. Minutes are written by the bookkeeper, reviewed by the administrator, and sent to the board members prior to the board meeting for them to review and corrections made. Board packets with all the agenda's supporting information are sent to board members the Friday prior to the board meeting.

22.

Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with the Senior Centers it provided funding to and does not adequately monitor the monies provided. Minutes were not signed by the Board President or another board member, and board minutes did not always record the votes cast by each individual board member.

- A. The Senior Citizens Service Board does not have written contracts with the two Senior Centers it provided funding to and does not adequately monitor the monies provided. During the year ending December 31, 2007, the board made payments to the Windsor and Clinton Senior Centers totaling approximately \$101,000.

Written contracts provide the framework necessary to detail the services to be provided and the amount of monies to be paid, and Section 432, RSMo, requires contracts to be in writing. In addition, to ensure the board funds are properly expended, financial reports documenting how funds are spent should be obtained from the senior centers and reviewed by the board.

- B. Board minutes are prepared and signed by the Board Secretary, but were not always signed by the Board President or another board member. In addition, board minutes did not always record the votes cast by each individual board member. The minutes typically indicate that motions were approved, but a record of how each member voted was not documented.

The board minutes should be signed by the board secretary as preparer and by the board president or another board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. Section 610.020, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative that the minutes be prepared to clearly document all business and discussions conducted.

WE RECOMMEND the Senior Citizens Service Board:

- A. Enter into written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received, and require the senior centers to provide financial reports documenting how funds provided by the board are spent.
- B. Ensure minutes are signed by the Board President or other board member, and a record of votes taken is documented.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following responses:

- A. *The Henry County Senior Citizens Board established written contracts in 2008 with the senior centers it provides funding to and the monies provided are adequately monitored. The centers provide financial reports documenting how the funds were spent.*
- B. *In the future, the meeting minutes will adhere to Section 610.020 the minutes will be signed by the Board Secretary and the Board President, or another Board member. A record of the votes taken will be discussed and addressed at the April 21, 2008 board meeting.*

Follow-Up on Prior Audit Findings

HENRY COUNTY FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Henry County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgets and Expenditures

- A. Disbursements were made in excess of approved budgeted amounts for several county funds and the Health Center Fund.
- B. The county had been significantly overestimating the amounts budgeted for Special Road and Bridge Fund expenditures for several years. Because estimates of expenditures for the Special Road and Bridge Fund were significantly in excess of actual expenditures, the amounts transferred for administrative fees to the General Revenue Fund were higher than they would have been had the transfers been based on actual expenditures. As a result at December 31, 2002, \$140,000 was due from the General Revenue Fund to the Special Road and Bridge Fund.
- C. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases. In addition, sole source procurement situations were not documented.
- D. The County Commission sometimes approved expenditures without reviewing the detailed supporting documentation and ensuring the goods or services had been received.
- E. The county contracted with and paid three deputy county clerks to prepare the county's published financial statements. The work was to be performed outside regular working hours, but no time records were maintained that showed how much time was spent or when the work was done. These payments were not included in the county payroll records, were not subject to payroll withholding, and were not reported on the employees' W-2 forms.

Recommendations

The County Commission:

- A. And Health Center Board of Trustees not authorize expenditures in excess of budgeted expenditures. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's office.
- B. Review procedures used to establish the Special Road and Bridge Fund budget and prepare more reasonable estimates. In addition, the County Commission needs to reevaluate its procedure for determining the administrative service fee amount, and transfer \$140,000 from the General Revenue Fund to the Special Road and Bridge Fund.
- C. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- D. Require that sufficient detailed documentation and notation of receipt of goods or services be provided along with warrant requests before approving expenditures from county funds.
- E. Review this situation to determine if these services are being performed under an employee or independent contractor status, and also determine the required time reporting and wage reporting guidelines.

Status:

- A. Not implemented. See MAR finding number 2.
 - B. Partially implemented. The amounts transferred to the General Revenue Fund from the Special Road and Bridge Fund for administrative service fees were reasonable during the two years ended December 31, 2006 and 2005; however, the county continues to significantly overestimate the amounts budgeted for Special Road and Bridge Fund expenditures. See MAR finding number 2. In addition, the county did not transfer \$140,000 from the General Revenue Fund to the Special Road and Bridge Fund. Although not repeated in the current MAR, our recommendation remains as stated above.
- C&D. Not implemented. See MAR finding number 1.
- E. Implemented. The County Clerk no longer contracts with deputy county clerks to prepare the county's published financial statements, and Forms 1099 were filed with the IRS for these payments.

2. County Officials' Salaries and Bonding

- A. Based upon Section 50.333.13, RSMo, enacted in 1997, the associate county commissioners were approved mid-term raises in 1999. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term in office. The mid term raises given to each of the Associate County Commissioners should be repaid, and any raises given to other officials within their term of office should be re-evaluated for propriety.
- B. A new Prosecuting Attorney took office in 2003 and his salary was set at an amount less than was paid to the former Prosecuting Attorney during 2002. The salaries of other county officials were not decreased and this salary decrease was not supported by salary commission action or a legal opinion.
- C. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendations

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Re-evaluate and adjust, if necessary, the Prosecuting Attorney's current salary and ensure future elected officials' salaries are supported by actions of the salary commission.
- C. Obtain adequate bond coverage for all employees with access to negotiable assets.

Status:

- A. Not implemented. The County Commission indicated they do not plan to obtain reimbursement of the salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented. The county adjusted the Prosecuting Attorney's salary during 2003.
- C. Not implemented. See MAR finding number 1.

3. Bond Forfeitures

The County Treasurer had not distributed bond forfeiture monies to the state for deposit into the School Building Revolving Fund annually as required by state law.

Recommendation:

The County Treasurer review past distributions to determine any necessary corrections, and, in the future, distribute all bond forfeiture monies in accordance with state law.

Status:

Partially implemented. The County Treasurer distributed bond forfeiture monies in accordance with state law during the two years ended December 31, 2006; however, no corrections were made for monies disbursed in the prior audit. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Prosecuting Attorney's Expenditures

- A. Phone costs of the Tri-County child support office were initially paid from the Tri-County Child Support Fund and subsequently included on child support enforcement (Title IV-D) reimbursement claims to the state. Numerous personal calls were made from the child support office phone and calling card, which were paid by the county and subsequently reimbursed by the state.
- B. The former Prosecuting Attorney and four of his employees attended a training seminar at the Lake of the Ozarks, and each of these individuals was reimbursed for meal costs in excess of the county's policy.
- C.1. The former Prosecuting Attorney purchased a projector and screen and was reimbursed without submitting an invoice or evidence of his payment. Also, the former Assistant Prosecuting Attorney was reimbursed more for a printer than the actual cost.
- 2. The monthly rent paid to the Tri-County assistant prosecuting attorney for office space was not supported by a lease agreement.

Recommendations

The Prosecuting Attorney:

- A. Develop procedures to monitor phone usage and review detailed billings for propriety. In addition, the Prosecuting Attorney should review past phone bills for personal calls, seek repayment for the related charges, reimburse the county and state as needed, and consider any other action that may be appropriate given the circumstances.
- B. Ensure the county's policy for reimbursement of meal costs is followed and obtain repayment for excess reimbursements that cannot be justified.
- C. Ensure that warrant requests are not approved without adequate documentation and thorough review.

Status:

- A. Not implemented. Procedures have not been developed to monitor phone usage. See MAR finding No. 1. Repayment of all the personal calls was not made, and the county and state were not reimbursed. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The county's policy for reimbursement of meal costs is being followed; however, repayment of the excess reimbursements was not made. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. Lease agreements have been obtained for monthly rent paid for office space; however, sales tax is still paid for some purchases. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Sheriff's Controls and Procedures

- A. Bond receipts totaling at least \$2,513 were received and not deposited. The jail secretary was terminated, and she repaid \$2,513. In addition, the number of gun permits issued could not be reconciled to the related gun permit amounts recorded in the receipt records. The Sheriff's office also maintained a jail food cash fund and a travel reimbursement cash fund, and shortages occurred in late 2002.
- B. The total of the inmates' monies in the commissary checking account was not adequately reconciled to the total of the individual inmate balances. A monthly listing of individual inmate balances was prepared and compared to the book balance; however, the balances could not be reconciled to the balance in the bank account because the account also contained the commissary monies for which no record of inventory purchases, commissary sales and commissary balance was maintained.
- C. The Sheriff's office maintained a PETRO bank account which was used to handle personal reimbursements related to gas purchases and cell phone usage.

Recommendations

The Sheriff:

- A. Continue to work with the Prosecuting Attorney regarding prosecution and pursue restitution for any additional amounts determined to be misappropriated.
- B. Establish records that account for commissary sales, inventory purchases, and the commissary balance, and perform complete reconciliations of the inmate and commissary balances to the bank account.

- C. Eliminate the PETRO bank account and have gas bills paid entirely from the General Revenue Fund. In addition, the gas bills should be provided to the County Commission for their review prior to approving the warrant request.

Status:

- A. Partially implemented. The jail secretary pled guilty to the theft. Gun permits issued are still not reconciled to gun permit fees. See MAR finding number 8.
- B. Not implemented. See MAR finding number 7.
- C. Partially implemented. This bank account was closed; however, proper controls over fuel purchases have not been implemented. See MAR finding number 5.

6. Prosecuting Attorney's Procedures

Receipt slips were only issued for court-ordered restitution monies or if requested by the payor. Some restitution money orders had been on hand in excess of one week and had not been transmitted to merchants. In addition, bad check administrative fees were only transmitted to the County Treasurer once per month.

Recommendation:

The Prosecuting Attorney issue prenumbered receipts for all monies received and require transmittals to be made timely.

Status:

Partially implemented. Restitution is being remitted to merchants in a timely manner; however, receipt slips are not issued for all monies received, and bad check administrative fees are still not transmitted to the County Treasurer in a timely manner. See MAR finding number 14.

7. Health Center

- A. The Health Center had not updated the fixed asset listing or performed a physical inventory of property records. Fixed assets were not numbered, tagged, or otherwise identified as Health Center property. In addition, no records were maintained to document items disposed of, date and method of disposition, or board approval for the dispositions.
- B. Some Health Center board meeting minutes were not located.
- C. The mileage reimbursement requests submitted by Health Center employees did not always include detailed information regarding the purpose, origin, and destination of a trip.

Recommendations

The Health Center Board of Trustees:

- A. Require the fixed asset listing be updated to include all fixed asset items currently on hand and develop procedures to record purchases and affix tags to items at the time of purchase. Once this is complete a periodic physical inventory should be performed and reconciled to the fixed asset listing. In addition, dispositions should be approved by the board and a record of the date and method of dispositions maintained.
- B. Ensure all board minutes are retained.
- C. Require employees to record detailed information as to actual mileage, origins and destinations, and purpose of official county business on mileage reimbursement requests.

Status:

- A. Partially implemented. The fixed asset listing has been updated, tags are affixed to items at the time of purchase, and physical inventories are performed; however, the inventory listing is not complete. See MAR finding number 19.
- B&C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HENRY COUNTY HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1834, the county of Henry was named after Patrick Henry. Henry County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Clinton.

Henry County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 180 county bridges, and performing miscellaneous duties not handled by other county officials. The townships maintain approximately 750 miles of county roads. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 19,672 in 1980 and 21,997 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2006	2005	2004	2003	1985* 1980**
		(in millions)				
Real estate	\$	181.6	175.1	165.8	160.5	86.4 37.5
Personal property		73.2	70.9	67.1	64.6	20.9 15.9
Railroad and utilities		16.5	16.3	18.1	19.0	13.7 12.4
Total	\$	271.3	262.3	251.0	244.1	121.0 65.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Henry County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.0267	.0236	.0200	.0215
Health Center Fund		.0977	.0977	.0977	.0977
Senior Citizens Service Fund		.0500	N/A	N/A	N/A

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),			
		2007	2006	2005	2004
State of Missouri	\$	76,522	30,240	69,220	73,322
General Revenue Fund		80,091	66,131	24,000	28,155
Special Road and Bridge Fund		89,771	82,445	82,177	89,117
Township road districts		717,739	650,522	601,280	549,510
Townships		343,795	309,760	349,074	300,664
Assessment Fund		189,238	174,783	160,801	127,712
Health Center Fund		262,711	239,503	222,323	236,318
School districts		9,737,967	9,523,321	8,937,526	8,776,641
Library district		452,520	438,131	404,411	427,956
Ambulance district		77,197	76,067	81,475	76,542
Fire protection district		49,760	45,350	41,166	37,794
Hospital		37,996	18,421	17,150	35,251
State Fair Community College		21,570	20,393	17,657	18,132
Cities		836,566	773,593	705,555	732,887
Senior Citizens Service Fund		123,824	0	0	0
County Employees' Retirement		60,897	69,434	70,069	71,897
Tax Maintenance Fund		31,694	29,517	30,347	49
Commissions and fees:					
General Revenue Fund		149,254	142,621	127,277	108,192
Ex Officio County Collector		12,846	12,623	11,306	11,555
Total	\$	13,351,958	12,702,855	11,952,814	11,701,694

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	92.3	92.7	92.2	92.2	%
Personal property	87.3	88.5	87.5	86.6	
Railroad and utilities	96.9	95.9	92.9	92.4	

Henry County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Greg Lowe, Presiding Commissioner		31,108	30,388	29,593	29,593
Don Bullock, Associate Commissioner		29,100	28,380	27,552	27,252
Jim Talley, Associate Commissioner		29,100	28,380	-	-
Richard W. Nichols, Associate Commissioner		-	-	27,552	27,252
Becky Raysik, Recorder of Deeds		43,463	42,743	41,290	41,290
Gene Pogue, County Clerk		43,463	42,743	41,290	41,290
Richard Shields, Prosecuting Attorney		53,720	52,443	50,743	50,743
J. Kent Oberkrom, Sheriff		49,380	48,660	45,141	45,141
Scott Largent, County Coroner (1)		16,720	15,000	-	-
John J. Prince, County Coroner		-	-	13,600	13,600
Kay Holt, Public Administrator (2)		97,794	58,727	-	-
Leona Wilson, Public Administrator (2)		-	-	83,572	65,799
Mildred L. Johnson, Treasurer and Ex-Officio County Collector (3), year ended February 28 (29),	56,666	55,743	52,882	52,845	
James Keck, County Assessor (4), year ended August 31,		52,445	51,465	50,422	49,721
Michael Taylor, County Surveyor (5)					
 (1) Includes a \$1,000 fee in 2006 for investigations performed for three or more decedents in the same incident during a month as provided for by Section 58.095 (5) RSMo.					
(2) Compensation on a fee bases received from probate cases.					
(3) Includes \$12,846, \$12,623, \$11,306, and \$11,555, respectively, of commissions earned for collecting city property taxes.					
(4) Includes \$688, \$688, \$746, and \$866 in annual compensation received from the state, respectively. Also includes \$1,200, \$1,200, \$1,100, and \$750 of fees received from the City of Clinton for assessing the city's real and personal property, respectively.					
(5) Compensation on a fee basis.					
State-Paid Officials:					
Marsha A. Abbott, Circuit Clerk		49,470	48,500	47,850	48,784
Janice Sloan, Circuit Clerk		-	-	-	1,971
Wayne Strothmann, Associate Circuit Judge		96,000	96,000	96,000	96,000



Susan Montee, CPA
Missouri State Auditor

City of Pagedale



May 2008

Report No. 2008-30

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

The following findings were included in our audit report on the City of Pagedale, Missouri.

The city of Pagedale has not entered into written agreements with various not-for-profit organizations (NFP) using city facilities. Nor does the city enter into written agreements with some organizations to which the city makes contributions. These organizations have not provided the city with documentation or reports outlining what services they provide to the citizens of Pagedale. In addition, the city has not ensured the amount of rent collected on the Community Center is calculated correctly.

The city has not established a written policy, procedure, or ordinance for the forgiveness of demolition liens or the handling of vacant lots. City code establishes procedures for the city to identify buildings in poor condition and contact the owner of the building to have repairs conducted or the building demolished. If the city is unable to contact the owner, the building is demolished and a lien placed on the property. City code does not explain procedures for the city to forgive a demolition lien upon sale of the property and the city handles the sale of vacant lots in various ways depending on the purchaser.

During the year ended September 30, 2007, actual disbursements exceeded budgeted amounts in the General Fund by \$2,869. However, the city did not prepare an amended budget for this fund nor did the city set forth any reasons for exceeding the budgeted amounts in the board minutes or adopt a resolution authorizing the additional expenditures. The city's budgets were not complete and the city's semi-annual published financial statements do not report the city's cash balance, and did not contain some city funds. In addition, a formal street maintenance plan for the city streets has not been prepared annually.

During the year ended September 30, 2007, the city spent \$27,300 for legal fees. The city has not entered into a written contract with the city attorney, nor is his compensation clearly defined by city ordinance. In addition the city was unable to locate documentation of either board approval for the appointment of the current city attorney or the hourly rate currently being charged by the city attorney.

Also included in the audit report are recommendations related to cash advances and credit card policies, receipt controls and procedures, meetings, minutes, and ordinances, restricted revenues, personnel policies and procedures, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

CITY OF PAGEDALE
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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Pagedale, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Pagedale. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Pagedale.

An additional report, No 2008-016 *Twenty-First Judicial Circuit, City of Pagedale Municipal Division*, was issued in March 2008.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF PAGEDALE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Expenditures and Contracts
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The city does not enter into written agreements with some not-for-profit organizations receiving subsidies from or providing services to the city. The city does not ensure the amount of rent received from the community center is calculated correctly. In addition, some cash advances are not handled properly and the city has not adopted formal policies and procedures for the use of city credit cards.

A. The city does not obtain formal written agreements with some not-for-profit organizations (NFP) receiving subsidies from the city.

1. The city has not entered into written agreements with various NFP organizations using city facilities. The city allows a NFP to use the auditorium in city hall for meetings and an association to use a section of the old city hall for office space. The city also allows another NFP to use a city-owned building for a boxing club for children in the area. The city pays for the utilities, maintenance, and upkeep of this building. During the year ended September 30, 2007, the city paid approximately \$2,600 in utilities for this building. No payments are being received from these organizations for use of these city facilities.

The city did enter into a written agreement with a NFP which also uses a section of the old city hall. This NFP provides various community services such as a summer camp and home building projects. The agreement was for the year ended May 31, 2002, with an option to renew for one year. The city has verbally agreed to renew the agreement since 2003, which requires the organization to pay \$1 annually for the use of the city building. This NFP maintains the old city hall.

In addition, the city does not enter into written agreements with some organizations to which the city makes contributions. The city paid \$10,000 to a NFP for a summer day camp program and \$7,500 to another NFP to help build a playground. The city did not receive any documentation from these organizations indicating how the city's contribution was spent.

None of these organizations have provided the city with documentation or reports outlining what services they provide to the citizens of Pagedale.

2. The city has not ensured the amount of rent collected on the Community Center is calculated correctly. In 1992, the city entered into an agreement with a NFP, to lease classroom space in the Community Center. The agreement indicated the first two years rent was \$12,000 and would increase to \$14,000 per year in the final three years of the agreement. The lease agreement provided the NFP with an option to renew the lease for an additional five year period. The options to renew the agreement have been exercised three times in 1997, 2002, and 2007. With each of the options to renew, the agreement called for an increase in the rent of ten percent or the consumer price index. The agreement has also been amended several times adding four additional classrooms to the agreement at \$2,000 per room annually. Currently, the city is collecting \$21,793 annually in rent. At a minimum, it appears the city should be collecting \$28,800 (\$14,000 plus \$8,000 for the additional rooms plus 10% increases) annually. Based upon a review of the city's records, it does not appear the NFP has increased the rent amount paid by ten percent or the consumer price index as provided by the option clauses.

The city should ensure all rental fees are calculated correctly. In addition, the city should determine if rent was underpaid and consider attempting to recoup these payments.

Article VI, Section 23, of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. To avoid being a donation, the city needs to ensure the monies are used for city provided services and they receive documentation from the entity documenting how the monies were spent or the services received by residents of the city of Pagedale.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- B. The Board President did not account for cash advances and did not return the unused funds in a timely manner. The Board President receives a cash advance in October of each year for \$700 to obtain supplies for the Halloween party held at city hall. City officials hand out bags of candy to children on Halloween. The Board President turned in the receipts and a cash advance difference of \$70 on December 20, 2007, which was after our inquiry. The city was unable to locate receipt documentation for the 2006 Halloween party.

Section 105.272.3, RSMo, provides that cash advances and any balance of the advance not used be submitted to the city within ten days after the expense was incurred.

- C. The city has not adopted formal policies and procedures for the use of city credit cards. The city has two credit cards used to make miscellaneous purchases. In addition, the city has five home improvement and office supply store credit cards. Credit card purchases on these cards totaled approximately \$9,272 during the year ending September 30, 2007. Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure city credit cards are used only for city business. The city should develop policies which require purchases to be approved by someone other than the cardholder and require all credit slips be submitted prior to payment of credit card invoices. In addition, the city should carefully evaluate the need for each credit card.

WE RECOMMEND the Board of Alderman:

- A. Enter into written agreements which specifically address the services to be provided and compensation to be paid. In addition, documentation should be obtained from the organizations indicating how the city's contribution was spent or services provided to city residents. The city should also attempt to recoup the underpaid rent and ensure the correct rent amount is collected in the future.
- B. Establish procedures to ensure cash advances are properly accounted for and reported to the city. Any cash advances not adequately supported should be repaid to the city.
- C. Establish a credit card policy.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

- A. *Agreements will be required for all future donations or services to any organizations.*
- B. *They agreed and will amend their procedures for travel advances to include other types of cash advances.*
- C. *Ordinance 1143 regarding the purchase of goods and services will be amended.*

2. Receipt Controls and Procedures

The city does not reconcile the composition of receipts to the deposit. The method of payment is not indicated correctly on some receipt slips. In addition, checks and money orders are not always restrictively endorsed immediately upon receipt.

Controls over city receipts are lacking. The city uses a one-write receipt ledger to issue receipt slips for city monies. The following control weaknesses were noted:

- A. While the method of payment (cash or money order) was indicated in the city's one-write ledger, the city does not reconcile the method of payments received to the composition of the total deposit to ensure receipts are deposited intact. For example, in September of 2007, the composition of receipts did not agree between the one write ledger and the deposit for one of fourteen deposits. A review of the deposit backup information indicated one of the receipt slips was marked as cash but should have been marked as a money order.

In addition, a cash count on November 13, 2007, noted three one-write receipts marked as cash totaling \$225; however, these monies appeared to be missing. Upon bringing this problem to the city's attention, an employee was terminated.

By not providing adequate oversight, the city funds are at risk, resulting in possible misappropriation. The city should ensure funds are properly accounted for by providing adequate oversight, reviewing the city's depositing methods, reconciling method of payment to deposits, and monitoring bank account reconciliations.

- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. A cash count on November 13, 2007, contained two checks which had not been endorsed for deposit only. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Alderman:

- A. Require the method of payments received be reconciled to the composition of the total deposit to ensure receipts are deposited intact.
- B. Restrictively endorse checks "For Deposit Only" immediately upon receipt.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

A&B. These recommendations were immediately implemented.

3. Meetings, Minutes, and Ordinances

The city did not document reasons for closing meetings and the vote to close a meeting. In addition, the city has not established written procedures for the forgiveness of demolition liens and the selling of vacant lots.

- A. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented in the open meeting minutes. The board held several closed sessions during 2007. Open session minutes sometimes indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that the board shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo, lists the topics which may be discussed in closed session.

- B. The city has not established a written policy, procedure, or ordinance for the forgiveness of demolition liens. City code establishes procedures for the city to identify buildings in poor condition and contact the owner of the building to have repairs conducted or the building demolished. If the city is unable to contact the owner, the city will have the building demolished and a lien placed on the property. City code does not explain procedures for the city to forgive a demolition lien. For example, in September 2007 the city had a demolition lien of \$7,720 on a piece of property. An interested party wished to purchase the property and the city forgave \$5,720 of the lien, requiring the buyer to only pay \$2,000 of the lien. It is not clear how the city determined the amount to forgive of the lien.

In addition the city does not have a written policy, procedure, or ordinance for the handling of vacant lots. If the owner of a piece of property vacates a lot, the city will often take over the maintenance of the property. This usually includes trash removal and maintenance of the grass. The city will then place a lien on the property for the cost of this maintenance. If an interested party wishes to purchase the property the city can forgive the lien, but will handle the sale of the vacant lot in several ways. City personnel indicated, the city requires a bid for the property from a neighbor of a vacant lot in order to purchase it. An outside party would also be required to submit a bid for the property, but would also need to submit a written statement indicating they will build a home on the property. The city will also give vacant lots large enough to support homes to a local not-for-profit organization who will then build a home on the property.

A written policy, procedure, or ordinance on the forgiveness of demolition and maintenance liens, and the handling of vacant lots would ensure these types of transactions are handled fairly and uniformly. The city can then establish the necessary steps and authorization to approve the reduction of the lien or sale of the vacant lot.

WE RECOMMEND the Board of Alderman:

- A. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session.
- B. Establish a written policy, procedure, or ordinance on the forgiveness of liens and the sale of vacant lots.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

- A. *They agreed and the recommendation has been implemented.*
- B. *We will pass an ordinance.*

4. Budgets, Financial Reporting, and Planning
--

The General Fund's actual disbursements exceeded the budgeted amounts and its budget did not contain all available resources. In addition, the city's published financial statements did not include cash balances and several city funds. The city has also not prepared a formal street maintenance plan.

- A. Several concerns were noted regarding the city's budgets:
 - 1. During the year ended September 30, 2007, actual disbursements exceeded budgeted amounts in the General Fund by \$2,869. The Board of Aldermen receive budget to actual comparison reports quarterly. However, the city did not prepare an amended budget for this fund nor did the city set forth any reasons for exceeding the budgeted amounts in the board minutes or adopt a resolution authorizing the additional expenditures.

Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursements from any fund, unless the governing body adopts a resolution setting forth the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures.
 - 2. The city's budgets were not complete. The budget prepared for the year ended September 30, 2008, did not contain a beginning and ending fund balance for the General Fund actual amounts for previous years. In addition, the beginning and ending estimated fund balance for 2008 only included the city's main checking account, not the other city bank accounts making up the General Fund. The city indicated they did not realize all of the city bank accounts should be used in the calculation.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific costs and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. Additionally, the beginning cash balances of the funds should agree to the accounting records and summary totals should accurately reflect the detail amounts.

- B. The city's semi-annual published financial statements do not report the city's cash balance, and did not contain some city funds including the Capital Improvement Fund, Park and Storm Water Fund, and Sewer Lateral Fund for the periods ending September 30, 2007 and March 31, 2007. The published financial statements only include the revenue and expenditure detail for the General Fund.

Section 79.160, RSMo, requires the Board of Alderman to publish semiannually a full and detailed account of the revenues, expenditures, and indebtedness of the city. The publication of such financial statements is intended to provide complete and accurate information to citizens regarding the financial activity and condition of the city.

- C. A formal street maintenance plan for the city streets has not been prepared annually. A street maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, a cost estimate, the dates such work could begin, and any other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents. The city spent approximately \$55,000 on street maintenance during the year ended September 30, 2007.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Alderman:

- A.1. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.
2. Ensure budgets include the beginning funds available and the ending balance. In addition, the fund balances should include all bank accounts.

- B. Ensure the published financial statement includes all of the city's funds and their fund balances.
- C. Prepare a formal maintenance plan for the city streets at the beginning of the year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

- A1. They agreed and the recommendation has been implemented..*
- A.2.*
&B. These recommendations have been implemented.
- C. A Comprehensive City Wide Street plan is now being done.*

5.	City Attorney
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The city has not entered into a written contract with the city attorney, nor is his compensation clearly defined by city ordinance. The city approved an ordinance which indicates the city attorney will be paid \$1,000 per month for general services rendered in attending meetings of the board of alderman, advising the city officials on legal questions, and drafting ordinances, contracts, and other documents. The ordinance also indicates that if it is necessary for the city attorney to represent the city in court or other city business the city attorney shall be paid a reasonable fee based on an hourly rate approved by the board of alderman. However, the city was unable to locate documentation of the approval by the board of the hourly rate currently being charged. Also, the city was unable to locate documentation of the approval by the board of alderman for the appointment of the current city attorney. During the year ended September 30, 2007, the city spent \$27,300 for legal fees.

In addition, it appears the city should review their city attorney ordinance to ensure it establishes the most economical plan for the city. A review of the invoice for September 2007, shows the city attorney was paid \$2,221 for that month, \$1000 for general services plus \$1,221 for 6.4 hours of litigation. The invoice indicates the city attorney worked 2.5 hours on general services, thus it appears he was paid \$400 per hour for these services. The invoice indicated the charge for the general services would have been only \$475 using the attorney's \$190 hourly rate for litigation. It appears the city would have saved \$525 if the city attorney had been paid the hourly rate instead of the monthly rate for the general services.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. In addition, the city should review their ordinance to ensure providing a monthly fee is a better option than being compensated at an hourly rate.

WE RECOMMEND the Board of Alderman enter into written agreements for all services. In addition, the city should analyze the benefits of paying a monthly amount for general services versus an hourly rate.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

They agreed and the recommendation will be implemented.

6. Capital Assets

City property records and procedures need improvement. The City Clerk maintains overall city property records, but the city does not have any formal policies and procedures for tracking capital assets. At September 30, 2007, city property including buildings and personal property was valued at \$5.9 million on the city insurance policy. The following problems regarding city property records were noted:

- The City Clerk does not have procedures in place to track property purchases throughout the year and enter information into the city property records on a timely basis. Our review of city expenditures noted two police vehicles purchased for \$17,683 each, were not recorded on the property records.
- Annual physical inventories of property are not performed.
- Acquisition/disposition dates, purchase value, and serial numbers are not recorded in the city property records.
- Written authorization is not obtained from the Mayor or Board of Alderman for the disposition of some city property.
- The city has not established a minimum amount for including items on the property records. The city is including on the property listing many small dollar items such as trash cans and auditorium chairs.

Adequate city property records and procedures are necessary to secure better internal control over city property, and provide a basis for determining proper insurance

coverage. The city should properly record all capital asset transactions, reconcile those purchases to additions, and periodically perform physical inventories and compare to the detailed records. Inventories of property are necessary to ensure capital asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. In addition, property records should include information such as acquisition/disposition dates, purchase value, and the serial number of the asset.

WE RECOMMEND the Board of Alderman maintain property records for capital assets that include all pertinent information for each asset, such as cost, acquisition date, and subsequent disposition, if applicable. Actual physical inventory of the various property items should be performed periodically. The city should also ensure dispositions of city property are properly authorized. Finally, the city should establish a minimum amount for items to be included on the listing.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

This recommendation will be implemented.

7. Restricted Revenues

The city has not established a separate accounting for motor vehicle related revenues. The city deposits all motor vehicle-related revenues into the General Fund. For the year ended September 30, 2007, motor vehicle related revenues totaled approximately \$29,500. City records are not maintained in a manner to clearly indicate these restricted funds were utilized as required. However, the city spends approximately \$54,900 from the General Fund per year to light the city streets.

Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle related revenues apportioned by the state of Missouri be expended for street related purposes including policing and signing, lighting, and cleaning of roads and streets. The city should determine the amount received for motor vehicle related revenues and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Alderman ensure restricted funds are used only for their intended purposes.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

This recommendation has been implemented.

8.**Personnel Policies and Procedures**

The city does not have a comprehensive employee manual. Such a manual should detail personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees. The city spent approximately \$792,000 on payroll during the year ending September 30, 2007.

A comprehensive employee manual which summarizes both written and unwritten policies can benefit both city officials and employees by providing a basic understanding between management and employees regarding each other's rights and responsibilities. It can also help ensure that management's policies are fairly and consistently applied to all city employees. The city has not established formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

WE RECOMMEND the Board of Alderman develop a comprehensive employee manual.

AUDITEE'S RESPONSE

The Board of Alderman and Mayor indicated:

A manual has been typed. It now has to be approved by the City Attorney and adopted by the Board of Alderpersons.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF PAGEDALE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Pagedale is located in St. Louis County. The city was incorporated in 1950 and is currently a fourth-class city. The population of the city in 2000 was 3,616.

The city government consists of a mayor and six-member board of aldermen. The members are elected for 4-year terms. The mayor is elected for a four-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended September 30, 2007, are identified below. The Mayor is paid \$12,000 annually and Board of Aldermen members are paid \$8,400 annually. The compensation of these officials is established by ordinance.

Mayor and Board of Aldermen	Dates of Service During the Year Ended September 30, 2007		
Mary Carter, Mayor Faye Millett, Alderman Marla Smith, Alderman Minnie Rhymes, Alderman Emma Sims, Alderman Pauline Catmet, Alderman James Thomason, Alderman	October 2006 – September 2007 October 2006 – September 2007 October 2006 – September 2007 October 2006 – September 2007 October 2006 – September 2007 October 2006 – September 2007 October 2006 – September 2007		
Other Officials	Dates of Service During the Year Ended September 30, 2007	Compensation Paid for the Year Ended September 30, 2007	
Fran Stevens, City Clerk Albert Keys, Police Chief (1) Brian Young, Police Chief Juanita States, Treasurer Curtis Pope, License Collector	October 2006 – September 2007 March 2007 – September 2007 October 2006 – December 2006 October 2006 – September 2007 October 2006 – September 2007	\$	28,288 20,090 13,788 2,640 2,520

- (1) From December 2006 through March 2007, the city did not fill the position of Police Chief.

In addition to the officials identified above, the city employed 22 full-time employees and 11 part-time employees on September 30, 2007.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

ASSESSED VALUATIONS	2007	2006
Real estate	\$ 13,072,450	9,618,260
Personal property	7,342,688	6,908,925
Commercial	12,937,370	9,789,740
Total	<u>\$ 33,352,508</u>	<u>26,216,925</u>

TAX RATE PER \$100 ASSESSED VALUATION

	Rate	
	2007	2006
General Fund *	\$.	
Residential property	.2110	.2750
Commercial property	.2470	.3160
Personal property	.3500	.3500

* In addition, the city receives a portion of the St. Louis County Road and Bridge Tax.

TAX RATES PER \$1 OF RETAIL SALES

	Rate	
	2007	2006
General	\$ 0.0125	0.0125
Capital Improvement	0.0050	0.0050
Local Park and Storm Water	0.0050	0.0050

A summary of the city's financial activity for the year ended September 30, 2007, is presented below:

	General Fund	Capital Improvement Fund	Park and Storm Water Fund	Sewer Lateral Fund	Total
REVENUES					
Property taxes	\$ 112,189	0	0	0	112,189
Cigarette tax	12,315	0	0	0	12,315
Sales tax	513,104	210,829	138,705	0	862,638
Sewer lateral fees	0	0	0	35,973	35,973
Motor vehicle tax	161,391	0	0	0	161,391
Utility and Franchise tax	395,647	0	0	0	395,647
Licenses, fees, and permits	300,988	0	0	0	300,988
Court, fines, and police reports	341,347	0	0	0	341,347
Interest	59,131	1,318	1,671	124	62,244
Miscellaneous	21,335	33,433	0	0	54,768
Grants	91,800	0	212,550	0	304,350
Rental income	21,794	0	0	0	21,794
Police training	6,246	0	0	0	6,246
Franchise fees in protest	25,818	0	0	0	25,818
Total Receipts	<u>2,063,105</u>	<u>245,580</u>	<u>352,926</u>	<u>36,097</u>	<u>2,697,708</u>
DISBURSEMENTS					
Legislation	92,977	0	0	0	92,977
Administration	145,045	0	0	0	145,045
Police	990,027	0	0	0	990,027
Housing and Sanitation	243,770	0	0	0	243,770
Public works	286,838	0	0	0	286,838
Community liaison	20,719	0	0	0	20,719
Court	78,660	0	0	0	78,660
Miscellaneous	3,196	937	0	0	4,133
Youth in need	61,547	0	0	0	61,547
Street improvements	0	54,442	0	0	54,442
Equipment	0	82,824	0	0	82,824
Projects	0	28,853	0	0	28,853
Park improvements	0	0	224,783	0	224,783
Storm water project	0	0	3,413	0	3,413
Summer Program	0	0	10,000	0	10,000
Sewer repairs	0	0	0	20,550	20,550
Total Disbursements	<u>1,922,779</u>	<u>167,056</u>	<u>238,196</u>	<u>20,550</u>	<u>2,348,581</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENT	140,326	78,524	114,730	15,547	349,127
FUND BALANCE, OCTOBER 1,	<u>1,400,327</u>	<u>88,100</u>	<u>151,764</u>	<u>58,574</u>	<u>1,698,765</u>
FUND BALANCE, SEPTEMBER 30,*	<u>\$ 1,540,653</u>	<u>166,624</u>	<u>266,494</u>	<u>74,121</u>	<u>2,047,892</u>

* \$25,818 of the General Fund Balance is reserved for franchise fees paid in protest.



Susan Montee, CPA
Missouri State Auditor

Drexel R-IV School District



May 2008

Report No. 2008-29

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

The following findings were included in our audit report on the Drexel R-IV School District.

The Drexel R-IV School District paid approximately \$192,756 in severance wages and benefits to the former Superintendent, who resigned in February 2007. The Board voted unanimously in January 2007 to buy the remainder of the former Superintendent's contract, and voted six to one in February 2007 to approve a negotiated separation agreement. Included in the \$192,756 was approximately \$12,102 in retirement and insurance benefits that did not appear to be specified in the termination clause of the employment contract for the former Superintendent. In addition to the severance payments, the district paid approximately \$10,900 to an interim superintendent for the remainder of the school year, and \$2,000 to a law firm to prepare the separation agreement. Since the former Superintendent's employment contract provided an option to terminate employment without severance pay, and her written resignation letter indicated she was resigning for personal reasons, it is not clear whether the severance payments were justified.

The district accepted a settlement totaling approximately \$27,000 in a residency lawsuit, and at the same time may have received state funding for the students named in the lawsuit. Since the settlement appears to be in lieu of tuition, it may not be appropriate for the district to retain both the settlement and the state funds. Additionally, the district incurred approximately \$90,000 in costs for legal and other professional services related to this case.

The school district did not solicit bids for transportation services, and does not have an adequate system to control and monitor fuel purchased for buses. The school district has contracted with the same transportation company since 1985, and during the two years ended June 30, 2007, spent approximately \$334,000 on contracted transportation costs including approximately \$299,000 to the transportation company and approximately \$35,000 for fuel. Furthermore, the district's enrollment and the number of students riding the bus have decreased significantly since 2005, and the district should evaluate various options to provide more efficient transportation.

Bids were not always solicited by the district nor was bid documentation always retained for some major purchases, such as playground equipment and classroom renovations. Additionally, during the two years ended June 30, 2007 the district paid approximately \$74,000 to a law firm without a written contract, and the firm's hourly billing rates increased by as much as 19 percent during this time period. Further, proposals were not solicited for legal and auditing services, payments for contract labor were not tracked and reported, and procedures for approving expenses need to be improved.

(over)

YELLOW SHEET

Financial reports provided to the Board do not provide the detail necessary to properly monitor district finances. Additionally, the district's budgets and published financial statements were not in compliance with state law.

The Board approved paying \$18,800 to 34 district employees for curriculum development that they believe resulted in improved MAP (Missouri Assessment Program) test scores from the previous school year. These payments were not included in employees' contracts, taxes were not withheld and amounts were not reported on their W-2 forms. These payments appear to represent additional compensation for services previously rendered and, as such, are an apparent violation of the Missouri Constitution and are contrary to an Attorney General's opinion.

The Board's procedures for conducting and documenting board meetings need improvement. Closed meeting minutes did not document how some topics discussed in closed session complied with state law. Additionally, meeting minutes did not always include discussion topics or votes, documentation of roll call voting to close meetings, or evidence of how some decisions made during closed meetings were subsequently made public. Further e-mails sent by the former Superintendent to all board members, including at least one e-mail polling board members for a decision on an issue, were not copied to the custodian of records to be retained with the official board minutes.

Also included in the audit report are recommendations related to accounting controls, bank depository agreement and maximizing revenues, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

DREXEL R-IV SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

To the Board of Education
Drexel R-IV School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Drexel R-IV School District. The school board engaged Daniel, Schell, Wolfe and Associates, P.C., Certified Public Accountants (CPAs), to audit the school district's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the school district has adequate internal controls over significant management and financial functions.
3. Determine if the school district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the school district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in our audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Drexel R-IV School District.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	Michelle Crawford

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DREXEL R-IV SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Superintendent's Separation Agreement
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Approximately \$192,756 in severance wages and benefits was paid to the former Superintendent who resigned in February 2007. The following amounts were paid:

<u>Wages and Benefits</u>	<u>Amount</u>
Wages for March - June 2007	\$ 25,685
Wages for July - June 2008	75,351
Wages for July - June 2009	77,611
Unused vacation and sick leave	2,007
Insurance March - September 2007	2,772
Retirement Benefits	<u>9,330</u>
Total	\$192,756

The Board voted unanimously in January 2007 to buy the remainder of the former Superintendent's contract, and voted six to one in February 2007 to approve a negotiated separation agreement. The separation agreement ended the employment of the former Superintendent and provided for the severance wages and benefits noted above to be paid upon her resignation. In addition to the severance payments, the district paid approximately \$2,000 to a law firm to prepare the separation agreement.

The former Superintendent's three-year employment contract provided the district the ability to discharge its obligation under the employment contract by paying the former Superintendent all the salary to which she would be entitled under the remainder of the contract term; however, the contract did not specify that employment benefits, such as insurance and retirement, would be paid upon termination. Approximately, \$12,102 of the above costs are for retirement and insurance benefits.

The separation agreement provided for the former Superintendent to be placed on professional leave from March 20, 2007 through June 30, 2007. Given this term in the agreement, it was necessary for the district to appoint an interim superintendent and incur approximately \$10,900 in additional salary and benefit costs.

Additionally, the former Superintendent's employment contract also provided options to terminate employment without severance pay. Since the former Superintendent submitted a written resignation letter indicating she was resigning for personal reasons, it is not clear whether the severance payments were justified.

WE RECOMMEND the School Board refrain from paying excessive severance payments in the future. If any severance payments are provided, they should be limited and consistent with those payments agreed to prior to resignation/termination.

AUDITEE'S RESPONSE

The School Board provided the following response:

Based on advice and information from previous legal representation, the Board of Education membership of that time frame completed actions as stated in the audit findings.

The current Board of Education has established clearly defined separation of responsibility for current legal representatives with specific delineation should there be diverse interests between the Board and the Superintendent or other school employee per Board policy BCG (Adopted 3/18/1996, Revised 12/17/2001) and legal statute 162.411, RSMo.

Action steps have been discussed and put in place to accommodate sudden change in administrative leadership to allow for a reasoned, structured transfer of responsibility should that need occur. Contractual obligations have been reviewed and established to ensure that severance packages and/or separation agreements are negotiated by separate representation for each party with the Board of Education attorneys representing only the Board of Education's interests.

2. Lawsuit Settlement

The District accepted a settlement totaling approximately \$27,000 in a residency lawsuit, and may have also received state funding for the students that the lawsuit alleged lived outside district boundaries between 1999 through 2004.

In 2005 the district filed a lawsuit against the parent of two students alleging they did not reside within district boundaries. The lawsuit was settled in January 2007, with the district agreeing to receive four semiannual payments of \$6,000 each plus one interest payment of approximately \$3,000 from the parent. Between 1999 and 2004, the district may have also claimed the students named in the lawsuit as resident students and received funding from the DESE. District personnel indicate that state claim forms filed by the school during this period did not exclude the students whose residency was questioned by the lawsuit. Although the settlement agreement did not specify the settlement amount was in lieu of back tuition, it appears this was the basis for the lawsuit filed by the district. As a result, it is questionable whether or not the \$27,000 settlement should go to the state as reimbursement.

Additionally, the district incurred approximately \$90,000 in costs for legal and other professional services related to this case since it began in 2005. The district did not maintain a written contract for these services and hourly billing rates for legal services were increased during the duration of the suit. (See MAR 4B)

The district should contact the DESE regarding the settlement agreement and determine the proper disposition for these funds.

WE RECOMMEND the School Board contact the DESE concerning the proper disposition of the funds received as settlement for the residency lawsuit.

AUDITEE'S RESPONSE

The School Board provided the following response:

The Drexel R-IV School District did not exclude any student(s) from the average daily attendance registry who were listed as living in District during the time frame noted in the audit findings.

The Drexel R-IV School has been in contact with the Missouri Department of Elementary and Secondary Education (DESE) regarding the residence issues and subsequent legal issues. All information requested by DESE has been provided. Four conversations and/or meetings have been held to analyze both the past occurrences and the current situation regarding state funding for the school district. The situation is under review with final decision regarding possible state funding adjustments to be provided to the District no later than the end of the 2008-2009 budget year.

The current Board of Education has established a contractual relationship with legal representatives from the Kansas City area. Per Board Policy BCG, the legal agreement specifies recommended items noted in the audit findings.

3. District Transportation and Fuel Procedures

Bids have not been solicited for transportation costs, and procedures have not been developed to adequately monitor fuel usage or terms of the transportation contract. Additionally, the district has experienced a significant decline in the number of students riding the bus to and from school, and the Board needs to evaluate various possibilities of providing more efficient transportation.

- A. The school district has contracted with the same transportation company since 1985 to provide bus transportation for students. During the two years ended June 30, 2007, the district spent approximately \$334,000 on contracted transportation costs including approximately \$299,000 to the transportation company and approximately \$35,000 paid for fuel on the transportation company's behalf. The contractor served four routes per day plus transportation to a vocational facility, and provided additional transportation for other district activities such as sporting events and field trips. The school district did not solicit bids for these transportation services.

Additionally, the district does not have an adequate system to control and monitor fuel purchased for the buses. Fuel is paid for by the district and stored in a fuel tank located at a local oil company. The district does not require the transportation company to periodically provide fuel usage logs documenting the amount of fuel used. Without periodically obtaining detailed fuel logs from the contractor and reconciling them to the gallons of fuel purchased, the district has no means to ensure fuel costs are proper and reasonable. Also, the district does not seek bids for fuel.

The district also does not adequately monitor all terms of the transportation contract for compliance. For example, the contract requires the transportation company to ensure all bus drivers meet statutory requirements; however, the district had not requested documentation of bus driver training to ensure all bus drivers were adequately trained as required by law. We requested and received this information directly from the transportation company.

Competitive bidding provides a framework for economical management of the school district's resources and helps assure the district that it receives fair value by contracting with the lowest and best bidder. Additionally, to ensure fuel costs paid by the district are proper and reasonable, fuel usage logs should be obtained from the transportation company and reconciled to the gallons of fuel purchased. Further, the district should request information from the transportation company to document compliance with all terms of the contract.

- B. The district should evaluate various options to provide more efficient transportation. The district contracts for four daily bus routes but the number of students riding the bus has decreased significantly during the last three years.

Since 2005 the district's student count has decreased by approximately 16 percent, and the number of students riding the bus has decreased by approximately 28 percent. According to the bus rider counts reported to the Department of Elementary and Secondary Education (DESE) an average of approximately 29 students were riding each of the four buses. The buses owned by the contractor and used for the school district's bus routes each seat approximately 65 passengers.

Considering the decrease in students riding the bus and the large capacity of the buses, the district should evaluate the possibility of consolidating the routes (contracting for three routes instead of four routes), or contracting for smaller, more efficient buses. In addition to cost savings, other factors such as the length of the bus routes and the student pick up and drop off times should all be considered when making this decision. As noted above, the district spent approximately \$334,000 on transportation costs during the two years ended June 30, 2007. Of this total, approximately 80 percent or \$267,200, was related to daily bus routes and the remainder was for transportation related to school activities.

WE RECOMMEND the School Board:

- A. Solicit competitive bids for the transportation contract and fuel, require detailed fuel logs be submitted by the transportation company, and periodically reconcile the amount of fuel pumped to the amount of fuel purchased. Additionally, procedures should be developed to adequately monitor all contract terms.
- B. Evaluate various options of providing more efficient transportation to better accommodate the significant decrease in bus ridership.

AUDITEE'S RESPONSE

The School Board provided the following responses:

Review of available records support the assertion that transportation service contracts have not been submitted to bid for several years. The current contractual obligation with Gunnels Transportation Company is in effect through the 2008-2009 academic year. From all records and evidence available for review, transportation services have been of good quality.

Discussion with administration and Board of Education beginning in early Fall 2007 supports bid procedures being followed for all major services for the Drexel R-IV District per state requirements, Board policy, and Missouri School Board Association recommendation. The bid process for transportation services will be conducted prior to July 1, 2008. This service provision per contract obligations noted above will not take effect until academic year 2009-2010.

From available record review, fuel bids have not been requested for the past several years. Per direction of the Board of Education, senior administration will develop and proffer requests for proposal in conjunction with other major services and provider contracts as noted previously. The specific area of fuel charges may be mitigated by the transportation company selection and procedures. Should the current situation continue in which the District provides fuel for the transportation company, fuel logs, mileage logs, monthly controls and regular reconciliation procedures will be collaboratively developed to ensure effective and efficient fuel usage. All contract obligations will be reviewed, monitored, and records maintained in the District Administrative offices.

Documented review and direct observation throughout the year indicate consensus with audit findings. Beginning August, 2007 student ridership of current bus routes has been monitored and reviewed for potential recommendation of reduction in routes. This data will be a part of the request for proposal being developed for submission prior to July 1, 2008.

4. Expenditures

Bids were not always solicited by the district nor was bid documentation always retained for some major purchases. Additionally, the district would benefit from a more

comprehensive bid policy. During the two years ended June 30, 2007, the district paid approximately \$74,000 to a law firm without a written contract, and the firm's hourly billing rates increased by as much as 19 percent during this time period. Further, proposals were not solicited for legal and auditing services, payments for contract labor were not tracked and reported, and procedures for approving expenses need improved.

- A. The district did not solicit bids for some major purchases. In addition, neither the board meeting minutes nor the bid files contained adequate documentation of the district's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations. Examples of items purchased for which bid documentation could not be located or was not sufficient include:

<u>Construction Cost or Items Purchased</u>	<u>Cost</u>
Playground equipment and soft tile	\$ 69,486
Fuel for school buses (2007 & 2006)	35,442
Renovation of home economics room	23,420
New computers	17,784
Resurfacing playground	12,650
Finish work on new classrooms	10,050
Playground drainage work	9,293

District personnel indicated that bids were solicited for some of the above purchases; however, documentation could not be located. For example, in one instance board meeting minutes indicated a bid was selected, but the minutes did not document the other bids received and documentation of the bids could not be located in the district's files.

The district's current bid policy requires all construction projects over \$15,000 to be bid as required by Section 177.086, RSMo. However, the policy does not require bidding for non-construction items and does not indicate the types of bidding procedures that can be used to ensure the district receives the best economical value on its purchases for amounts less than \$15,000. A more comprehensive policy would make the district's bidding procedures more effective.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. Documentation of the various proposals received, and the district's selection process and criteria should be retained to demonstrate compliance with district policies and support decisions made.

- B. The district did not have a written agreement with a law firm that was paid approximately \$74,000 during the two years ended June 30, 2007 and did not solicit proposals for legal and auditing services.
- The district did not have a contract with their law firm documenting the services to be provided or the rates to be charged. During the two years ended June 30, 2007 the district paid this firm \$74,042 which included \$8,434 for a private investigator and \$10,000 for an outside consultant, both hired by the law firm. There is no documentation of the work performed or of the Board's approval to hire the private investigator and the consultant. Additionally, the law firm increased hourly billing rates by as much as 19 percent in January 2007. Individual attorney billing rates ranged from \$120 to \$230 per hour.
 - There is no documentation to indicate that proposals were solicited for professional services such as legal or auditing services. The district's auditor is contracted for a three year period and was paid a total of approximately \$12,400 for these services.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Although not required by law, the board should consider periodically soliciting proposals for legal and auditing services to ensure they are receiving the best services and rates.

- C. The district does not file Forms 1099 with the Internal Revenue Service. During the year ended June 30, 2007, the district paid approximately \$21,000 to individuals for performing general maintenance, and providing various services at athletic events; however, the amounts paid to these individuals are not tracked and the district does not file Forms 1099 as required by the Internal Revenue Service.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Form 1099.

- D. The check register provided monthly to the Board for their review and approval is not complete. The register includes checks prepared to pay current bills, but does not include checks for payroll expenses. As a result, payroll expenses are not approved by the Board, and the numerical sequence of check numbers shown on the check register provided to the Board cannot be accounted for from month to month.

While district policy provides for the Superintendent to review and authorize all invoices prior to payment, the former Superintendents' reviews were not always

documented. Additionally, expense reimbursement claims submitted by the former Superintendent were also signed as approved by her, and there is no indication that the Board reviewed these reimbursement claims.

To ensure all expenditures are properly authorized, a complete check register should be prepared and signed or initialed by the Board to denote their approval, and retained with the official minutes. Additionally, detailed invoices and other documentation should be made readily available for review by board members, and internal controls should be established to ensure purchases are approved or authorized by someone independent of the requester.

WE RECOMMEND the School Board:

- A. Solicit bids for major purchases and maintain documentation of the bidding process. Also, consider adopting a more comprehensive bid policy that addresses non-construction items and purchases less than \$15,000.
- B. Enter into written agreements for legal services detailing the duties to be performed and the costs associated with the service. Consideration should be given to periodically solicit and document proposals for legal and auditing services. In addition, adequate documentation should be obtained to support payment for services performed by outside consultants.
- C. Ensure IRS Forms 1099 are filed as required for prior years as well as in the future.
- D. Ensure a check register is reviewed and approved, and the approval is documented and retained with the official minutes. Additionally, detailed invoices and other documentation should be made readily available for review by board members, and internal controls should be established to ensure purchases are approved or authorized by someone independent of the requester.

AUDITEE'S RESPONSE

The School Board provided the following responses:

- A. *All documentation available in existing files (electronic, written, and formal) was provided to the state auditors regarding items listed below and/or other major purchases during previous school years. While several bid procedures and/or procurement processes appeared to have been in place, formal documentation and record maintenance were not available at the time of the state audit. For future procedures, actions are being developed to identify time, location, individual, procedure, and results of inquiry will be documented. Additionally, within the Requests for Bid/Request for Proposal information regarding selection criteria, selection process, and appropriate timelines will be noted. Areas where specific note should be made include the following.*

Playground resurfacing and playground drainage work. From personal recollection and/or printed materials, there appeared to have been an urgent need for some of this work to be completed on an immediate timeframe with little or no time for delay. The work needed was time sensitive to avoid severe problems with the installation of the playground and playground equipment. In the specific situation of the playground resurfacing and playground drainage work, emergency situations required immediate remedy. Additionally, both personal recollection and general print documents indicate the several hours of volunteer work were completed exclusive of the cost analysis provided.

Per current Board Policy DJC, the specific items noted in the audit findings should be conferred for bid and/or competitive pricing practice with appropriate documentation available in the bid file and/or in the respective subject file. For future action, effort will be made to at a minimum do competitive pricing with supporting documentation maintained by the District Custodian of Records.

- B. As noted previously in the Board of Education responses, the current practice of the Drexel R-IV School District is to review and abide by appropriate Board Policies. Per Board Policy BCG, the legal aspects of attorney representation are in place with written, contractual parameters clearly defined and followed. Further, the Board of Education's current law firm has reviewed existing Board Policy and designed a precise delineation of obligations, responsibilities, and representation hierarchy for the Board defining costs incurred, cost analyses, and representation (Board minutes: November 12, 2007; January 21, 2008; February 18, 2008.).

Prior to audit findings and the audit report, the Board of Education began a purchase and procurement review to identify areas of potential concern and/or opportunity for improvement. Referencing Board Policy DJC, bid procedures will be in place by July 1, 2008 with Requests for Proposal of Bids and/or competitive pricing methods utilized for fiscal year 2008-2009. Formal procurement procedures are being developed and will be provided for Board review by July 1, 2008 and available for faculty/staff training in August 2008.

- C. The Drexel R-IV School District will make every possible effort to comply with all Internal Revenue Services requirements. Procedures regarding maintenance of records, personnel and fiscal, have been established and will be reviewed annually to ensure effective and efficient management of these data.
- D. To address the recommendations noted in this report, beginning April 1, 2008, the Board of Education members have available to them upon request at any time the entire numerical sequence for the monthly check register. This will enable a review of all expenditures. Check registers with complete numeric listing are reviewed and initialed by Superintendent.

Financial reports provided to the Board do not provide the detail necessary to properly monitor district finances, the district's budget is not in compliance with state law, budgets were not properly amended and monitored by the district, and financial statements are not published in accordance with state law.

- A. Monthly financial reports reviewed by the Board and filed with the board meeting minutes do not provide the detailed financial information necessary to properly monitor district finances. At each monthly board meeting the Board is provided a Treasurer's Report listing the cash balance of each fund at the end of the previous month, and a check register listing checks to be paid (as noted in MAR 4.D. the check register listing is not complete). The Board is not provided with monthly budget to actual comparison reports or detailed reports of monthly revenues and expenditures of each fund. Additionally, there is no indication that the Board has requested additional information to more closely monitor district finances.

To ensure district funds are being accounted for properly and to provide adequate financial information sufficient to make informed management decisions, the Board should ensure financial reports received monthly provide sufficiently detailed information.

- B. The district's budgeting procedures need improvement. For the year ended June 30, 2007 the district's budget reflected more than \$3.3 million in anticipated revenues and expenditures.
1. The district's budget for the year ended June 30, 2007 did not include actual receipts and disbursements for the two preceding years or a budget message as required by Chapter 67, RSMo. By preparing a complete budget document, the Board will present a complete financial plan to the district citizens, more effectively monitor and evaluate all district financial resources, and ensure compliance with statutory provisions.
 2. The school board amended their budget for the year ended June 30, 2007 so that budgeted amounts would agree to actual revenues and expenditures; however, the district did not amend the budget before expenditures were incurred. After approving the final expenditures for the year, an amendment was submitted and approved on June 18, 2007 for the budget to increase total revenues and expenditures by \$142,032 and \$213,042, respectively. In addition, during this same meeting the Board adopted the budget approved in September 2006 for the year ending June 30, 2007 as their estimated budget for the year ending June 30, 2008.

By amending the budget so that it would reflect no variances in the revenue and expenditure categories, the effectiveness of the budget as a management tool was decreased. Additionally, by adopting the prior year's budget for the next year the Board has not given adequate consideration and planning to the amounts budgeted.

Section 67.040 allows for budget increases after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080 provides that no expenditure of public monies shall be made unless it is authorized in the budget. To be of maximum benefit to the Board and the taxpayers, a complete and accurate budget is needed which reflects anticipated revenues and expenditures and the related variances between those estimates and the actual financial activity.

- C. Financial statements are not published in the manner required by state law. The district's published financial statements for the year ended June 30, 2007, presented only total receipts and disbursements for each fund and did not present receipts and disbursements by major classifications. Additionally, the published financial statement did not include required information from the school's audit report, and information as to where the audit report is available for inspection.

Section 165.121, RSMo, requires that a summary statement of the district's audit report be made and published in a newspaper within the county, and include a statement of fund balances and receipts and disbursements by major classifications, a summary statement of the scope of the audit, the auditor's opinion on the financial statements, and information where the audit report is available for inspection. In addition to complying with state law, published financial statements provide residents information about how district resources are being used and the resources available.

WE RECOMMEND the School Board:

- A. Ensure adequately detailed financial reports are received and reviewed monthly.
- B. Prepare a complete budget document that complies with state law, and discontinue amending the budget at the year end to agree budgeted amounts to actual revenues and expenditures. Further, when budget amendments are necessary, they should be made prior to incurring the actual expenditures.
- C. Ensure the annual published financial statements are prepared in compliance with state law.

AUDITEE'S RESPONSE

The School Board provided the following response:

District budget documents will be provided to the Board of Education on a monthly basis with Auditor's recommendations implemented. Annual published financial statements will be prepared to comply with requirements per state statute. Historical documentation has been located and classified according to fiscal year per Annual Secretary of the Board Report, available budgetary records, and state financial records.

6.

Payroll and Employee Benefits

Additional compensation totaling \$18,800 paid to employees for curriculum development appear to be bonuses and in violation of the Missouri Constitution. Additionally, these payments as well as payments for other miscellaneous services were not reported to the IRS as taxable compensation and taxes were not withheld.

- A. According to the October 16, 2006 board meeting minutes, the Board approved paying \$18,800 to 34 district employees for curriculum development that they believe resulted in improved MAP (Missouri Assessment Program) test scores from the previous school year. The district paid \$2,000 to the former Superintendent, \$1,500 to the former High School Principal, \$1,000 to the former Elementary School Principal, \$500 each to 27 teachers, and \$200 each to 4 classroom aides. These payments were not included in employees' contracts. Additionally, these payments were not added to the employees' compensation, and as a result, taxes were not withheld and amounts were not reported on their W-2 forms. The district did not make curriculum development payments to employees during 2007.

The curriculum development payments appear to represent additional compensation for services previously rendered and, as such, are an apparent violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." Additionally, written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Further, all compensation should be properly reported with taxes withheld.

- B. The district paid some employees for additional services which were also not included in the employees' compensation and therefore were not subject to payroll taxes and not reported on the employees' W-2 forms. For example, one employee was paid \$500 for supervising the science fair and another employee received \$300 for helping the janitor. These payments were not added to the employee's

compensation and therefore were not subject to payroll taxes and reported on their W-2 form.

WE RECOMMEND the School Board:

- A. Discontinue paying bonuses, ensure all employee compensation is subject to payroll taxes and properly reported, and ensure contracts properly specify the services to be rendered and the manner and amount of compensation to be paid.
- B. Ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms.

AUDITEE'S RESPONSE

The School Board provided the following responses:

The compensation noted in the audit findings are documented in District financial documents. Employees were paid according to directive of past administration.

Financial consideration and/or compensation for professional services will be paid according to District policy and State statute. All compensation will be subject to IRS, payroll tax deduction and comply with appropriate verification. Contracts and/or memorandums of agreement will be in place for all services rendered from all employees with services, payment process, and compensation amount documented.

7. Accounting Controls

Accounting duties are not adequately segregated, and significant improvements are needed in the handling of district receipts. In addition, the district's policy regarding the use of the petty cash checking account is not always followed, supporting documentation is not retained for some purchases, and there is no indication the board is reviewing the activity from this account. Approximately \$30,000 in transactions were processed through the district's petty cash checking account during the year ended June 30, 2007.

- A. The duties of receiving, recording, and depositing monies, and reconciling the bank accounts are not adequately segregated. The district bookkeeper primarily performs all of these duties. In addition, there are no documented supervisory reviews performed to ensure all monies receipted were deposited.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. The district's receipting procedures need significant improvement. Revenues such as gate receipts and concession proceeds from sports activities, student food service payments, and miscellaneous activity monies are received and recorded by the three district secretaries, the bookkeeper, and the cafeteria supervisor. Monies are transmitted to the bookkeeper to be posted to the accounting records and deposited. Total receipt amounts varied from \$2,000 to over \$14,000 per month during the school year.

- The numerical sequence of receipt slips is not accounted for, some receipt books used by the district do not contain official prenumbered receipts, voided receipts are not always defaced and retained, and prenumbered receipt books are not assigned to district users in numerical order. For example, receipt books used by district employees are not assigned in numerical order, and the numerical sequence of the receipt slips issued are not accounted for to ensure all funds collected are deposited.
- The method of payment (i.e., cash, check, or money order) is not recorded on the receipt slips and the composition of receipts is not reconciled to the composition of deposits. Additionally, some receipt slips were not completely filled out, as instances were noted where the amount and date was not indicated on some receipt slips. Also, more than one receipt slip was written for some monies received causing confusion when reconciling receipt slips to deposits.
- Receipts are not always deposited in a timely manner and receipts are not posted to the district's accounting system until a deposit is prepared. For example, lunch receipts collected between August 29, 2007 and September 21, 2007 totaling approximately \$4,644 were not deposited and posted to the accounting system until September 21, 2007. Also, miscellaneous receipts and program monies collected between September 6 and September 21, 2007 totaling approximately \$12,509 were not deposited and posted to the accounting system until September 21, 2007.

Without proper receipting procedures the district cannot ensure all monies received are deposited. To adequately account for all receipts, official prenumbered receipt slips should be issued in numerical order for all monies received, all voided receipt slips should be properly defaced and retained, the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits, all receipts should be posted to the district's accounting system when received, and deposits should be made on a timely basis.

C. The district maintains a petty cash checking account to pay for small expenditures that need to be paid before the next board meeting; however, the Board does not review the activity in this account. The account is also used to pay for some expenses that could be purchased through the district's normal accounts payable

process, and transfers are made from the district's operating account into the petty cash checking account without prior board approval. Additionally, supporting documentation was not maintained for some expenses paid from the petty cash checking account. While the district has a policy regarding the use of this petty cash checking account, the policy is not always followed and controls over these funds are not adequate.

For the year ending June 30, 2007, expenditures totaling almost \$31,000 were processed through the district's petty cash checking account.

- The petty cash checking account was regularly used to pay for contracted labor, and to reimburse employees for mileage. For example, during the year ended June 30, 2007, over \$21,000 was paid to individuals for various services at athletic events, and for general school maintenance. All mileage expenses should be reimbursed to employees based on the filing of detailed expense reimbursement reports and district labor expenses should be paid through the district's accounts payable system.
- Some student activity monies are deposited and expended through the petty cash checking account. For example, monies totaling over \$4,600 for a student lock-in, ACT workshop, and ski trip were processed through this account.
- Vendor invoices or other supporting documentation was not retained for numerous petty cash checking account purchases. For example, in September 2006, payments totaling \$620 were made to fifteen different individuals for labor; however, no supporting documentation or receipt for payment was maintained.
- While checks issued from the operating fund to replenish the petty cash checking account are approved by the board, direct transfers of funds from the district's operating account are not approved by the Board. Approximately \$12,000 was transferred from the district's operating fund into the petty cash checking account during the year ended June 30, 2007.
- The Board is not provided with information documenting the activity of the petty cash checking account, and there is no indication that the Board has requested information to verify the validity of the disbursements made from this account.

Section 165.021, RSMo, requires district monies be disbursed by the treasurer of the district upon orders of the school board. Controls should be in place to ensure transactions processed through the district's petty cash checking account comply with district policy and are reviewed by the Board. Additionally, all expenditures should be supported by paid receipts or vendor invoices to ensure the obligation

was actually incurred and the expenditures represent appropriate uses of public funds.

WE RECOMMEND the School Board:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented in the Superintendent's office.
- B. Require receipt slips to be issued in numerical sequence, and ensure the numerical sequence of receipt slips is accounted for properly. Additionally, the method of payment should be recorded on each receipt slip, and the composition of receipts should be reconciled to the composition of deposits. Further, all receipts should be deposited intact and in a timely manner, and posted to the district's accounting system when received.
- C. Ensure transactions processed through the district's petty cash checking account comply with district policy and review these transactions periodically. Further, adequate supporting documentation should be maintained for all district expenditures.

AUDITEE'S RESPONSE

The School Board provided the following responses:

- A. *We concur with the auditors' initial findings that accounting duties were not adequately segregated, i.e. collection, receipt, verification, and depositing of monies. These duties have been remedied and separation of duties is still being reviewed in order to best satisfy the needs of segregation of receipts while maximizing limited personnel.*
- B. *Receipt processes are under review. Additional processes will be implemented to ensure adequate numerical sequence of receipts, of deposits, and of account management. Receipts are deposited in a timely fashion with deposits being made daily on an as needed basis.*
- C. *The petty cash account is under review. Clearly defined parameters for the petty cash account usage, purpose, and maintenance will be considered with policies and practice revised for the 2008-2009 fiscal year.*

Remedies are underway to address concerns cited in the audit findings regarding petty cash accounts. Contracted labor, mileage reimbursements, etc. will not be paid on a consistent basis from the petty cash account. All reimbursement requests will follow stringent review and approval process with detailed expense reports. The petty cash account will be increased during specific time frames during the fiscal year per usage practice established to address the audit findings. Student account payments and/or receipts will not be co-mingled with the petty cash account.

Petty cash transfers will be made monthly per Board review and approval. A monthly accounting of the petty cash expenditures and/or receipts will be compiled and maintained with current financial records.

8.

Board Meetings and Minutes

The Board's procedures for conducting and documenting board meetings need improvement.

- Closed meeting minutes did not document how some topics discussed in closed session complied with state law. Examples include: on-line courses for students, request for e-mails, class sizes, adding the position of technology director, and initiating random drug testing for athletes. Additionally, instances were noted where the open meeting minutes did not accurately document the specific reason for closing the meeting. For example, in one instance bids for a security system were discussed during a closed meeting; however, the open meeting minutes did not list this as a specific reason for closing the meeting.
- Minutes did not always include documentation of roll call voting during open meetings to close the meeting, and it is not clear how some decisions made during closed meetings were subsequently made public. Closed meeting minutes reflect that the Board often made decisions during closed meetings and then adjourned the meeting during closed session without returning to open session.
- Minutes did not always include adequate detail as to what was being discussed or voted on. For example meeting minutes did not include documentation of bids received and the reason one bid was selected over another. Further, an open and closed agenda were included in the minute book for February 6, 2007, but no open or closed minutes were located for this date.
- During the board meeting immediately following the April 2007 election (when three new board members were elected) the old board met in closed session prior to swearing in the newly elected board members and reorganizing the board. Three of the seven board members objected to the outgoing board members meeting in closed session and making a decision. Section 162.301 requires the board to meet within 14 days after each annual election to issue the oath of office to the newly elected members. Board meeting minutes did not indicate why or under what authority the outgoing board members could meet in closed session and make a decision after the election.
- E-mails sent by the former Superintendent to all board members were not copied to the custodian of records to be retained with the official board minutes. Based upon copies of some e-mails we received from board members to review, numerous e-mails were sent to all board members during 2006, and at least one e-mail polled board members for a decision on an issue. Section 610.025 requires e-mails relating to public business

sent by a member of a public body to a majority of the members be copied to the custodian of records to be retained as a public record. Additionally, in December 2006, the Attorney General issued a letter to the Superintendent indicating that Section 610.010(5) prohibits straw polls and recommended corrective action be taken by the board at the next board meeting. Board meeting minutes acknowledged receipt of the letter from the Attorney General, but did not specifically document the need for corrective action on the issue.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings and specifies details that must be recorded; requires the vote of each member on the question of closing a public meeting and the specific reason for closing that meeting be announced publicly at an open meeting and entered into the minutes; provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, and requires public disclosure of the final disposition of certain matters discussed during closed meetings.

Minutes serve as the only official permanent record of decisions made by the Board; therefore, it is necessary the minutes be prepared to clearly document all business conducted.

WE RECOMMEND the School Board ensure minutes clearly document all business conducted by the Board, and ensure all open and closed meetings of the Board comply with the Sunshine Law.

AUDITEE'S RESPONSE

The School Board provided the following response:

The current Board of Education is making extensive effort to ensure that the Drexel R-IV School District patrons have adequate information regarding board meetings, agendas for topics of discussion, and minutes of such meetings. Copies of the Sunshine Law statute (Chapter 610, RSMo) and pertinent sections of other requirements are provided to Board members (and patrons if requested) when working in closed session meetings. Minutes of meetings are provided to the local newspaper (The Drexel Star) after each session. Documentation of both open and closed meetings are maintained by the Custodian of Records with notification of action taken provided in said minutes.

9. Bank Depository Agreement and Maximizing Revenues

The district needs a written agreement with their depository bank, and needs to adequately monitor cash flow to increase interest revenue earned on deposits.

- A. The district does not have a written agreement with its depository bank, and has not solicited proposals for its checking and depository services. While the district

does have a pledge and custodial agreement to ensure adequate coverage over the district's funds, this agreement does not address specific banking arrangements such as bank fees, checking account services, and interest rates for invested funds.

A written depository agreement helps both the bank and the district understand and comply with the requirements of any banking arrangement. In addition, the district's bidding policy requires competitive bidding for bank depository services.

- B. Adequate steps are not taken to ensure the district maximizes the amount of interest earned on deposits. The district maintains a general checking (NOW) account and a money market account. The majority of deposits and all disbursements are processed through the NOW account. The money market account acts as a savings account for district monies, and transfers are made periodically from the money market account to the NOW account. Between June and October 2007, the average bank balance in the NOW account ranged from approximately \$90,000 to \$290,000 and only accrued an annual percentage yield rate of approximately 0.45 percent; however, the district's money market account accrued an annual percentage yield rate of approximately 4 percent.

To maximize interest revenues, the district should better monitor cash flow in order to maintain the majority of all district funds in the money market account which yields a higher rate of return. Monies should be transferred to the NOW account as needed to cover district expenses.

WE RECOMMEND the School Board:

- A. Enter into a written depository agreement with the district's depository bank, and periodically solicit bids for banking services.
- B. Adequately monitor the district's cash flow to ensure the maximum amount of district funds are maintained in the money market account yielding the highest rate of interest, and only transfer funds as needed to the district's NOW account to cover district expenses.

AUDITEE'S RESPONSE

The School Board provided the following responses:

- A. *For the past several years only one local depository was available to the District. That appears to be the premise for utilizing that depository and not conducting the formal bid procedures recommended by the current audit findings. Since there are now two (2) local options, as well as a state-wide financial depository option, there will be a bid process for depository services. As noted previously, a request for proposal is being developed for submission and implementation for the 2008-2009 fiscal year. The Board of Education will select the depository services needed and formalize a contractual document specifying all requirements noted in the audit findings.*

- B. *The historical review of all financial records is being analyzed to ascertain patterns and trends of cash flow and possible methods to improve annual interest yield.*

10. Capital Assets

Procedures to account for district property need improvement. Some additions to district property were not accounted for on the district capital asset listing, inventory records do not always include the proper detail, and district assets are not properly numbered, tagged, or otherwise identified.

Annually, each teacher or other district employee prepares and submits an inventory listing of assets for their room to the Superintendent's office, and a capital asset report listing all other assets owned by the district is maintained by the Superintendent's office. These property records do not always include some necessary information, such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal. For example, playground improvements costing approximately \$13,000 were not included on the district's capital asset report, and computers purchased in August 2006 costing approximately \$17,700 were added to the individual classroom listings but did not include the date purchased or the cost. Additionally, property items are not properly numbered, tagged, or otherwise identified. Further, school owned computers were purchased by the former Superintendent and former High School Principal without documented approval by the Board or documentation of disposition in the asset inventory records.

Adequate capital asset records are necessary to secure better internal control over district property and provide a basis for determining proper insurance coverage required on district property. The inventory shall list such property by descriptive name, serial number, model, age, and estimated market value, and an explanation of material changes shall be attached. Property control tags should also be affixed to all fixed asset items and recorded on the inventory listings to help improve accountability and to ensure that assets are properly identified as belonging to the district.

WE RECOMMEND the School Board ensure complete and accurate inventory records are maintained and implement a procedure for properly tagging and identifying district property.

AUDITEE'S RESPONSE

The School Board provided the following response:

The current Board of Education concurs with the audit findings. Inventory controls need to be improved and formalized so that insurance coverage, replacement and maintenance needs, and continuous instructional needs can be more effectively monitored.

The technology director, in conjunction with administration and program coordinators, is designing an electronic inventory control system with hard copy backup documentation. All items in the audit findings (item description, purchase date, purchase price/replacement price, location, item number/serial number, condition, etc.) will be noted on the inventory control process.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DREXEL R-IV SCHOOL DISTRICT HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Drexel R-IV School District is located in Drexel, Missouri. The school district lies within Bates and Cass Counties.

The district operates a junior and senior high school (grades 7-12) and an elementary school (grades K-6). Enrollment was approximately 319 for the 2006-2007 school year. The district employed approximately 53 full- and part-time employees, including 3 administrators, 31 teachers, and 19 support staff.

The Drexel R-IV School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2007, were:

School Board	Dates of Service During the Year Ended June 30, 2007
Patty Dreher, President	July 2006 – June 2007
Victor Shipley, Vice President	July 2006 – June 2007
Kim Hocker, Treasurer	July 2006 – June 2007
Jeannie Weatherman, Member (1)	July 2006 – June 2007
Chuck Martin, Member	April 2007 – June 2007
Roger Batchelder (2)	July 2006 – March 2007
Christyne Hellebuyck, Member	April 2007 – June 2007
Jerry Wiedenmann, Jr. (3)	July 2006 – March 2007
Kevin Medcalf, Member	June 2007
Keith Mangile (4)	July 2006 – May 2007

- (1) Served as Secretary of the Board from July 2006 through March 2007, and in April 2007 Linda Moles, bookkeeper, was appointed Secretary of the Board.
- (2) Served as President from July 2006 through March 2007.
- (3) Served as Treasurer from July 2006 through March 2007.
- (4) Served as Vice President from July 2006 through March 2007. Mr. Mangile resigned in May 2007 and Kevin Medcalf was appointed to the Board.

The district's other officials during the year ended June 30, 2007, are identified below. The compensation of these officials is established by the school board.

Other Officials	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Patricia L. Yocum, Superintendent (1)	July 2006 – February 2007	\$ 50,071
Clarence J. Kellogg, Superintendent (2)	March 2007 – June 2007	26,563
Gerald Whalen, Principal 7-12 (3)	July 2006 – June 2007	64,563
Ruth Frerking, Principal K-6 (4)	July 2006 – June 2007	57,705

- (1) Received severance wages and benefits in March 2007 totaling \$192,756.
- (2) Served as Interim Superintendent until Dr. Judy Stivers was hired as Superintendent in July 2007 at an annual salary of \$80,000.
- (3) Jerry Braschler was hired as High School Principal in August 2007 at an annual salary of \$57,000.
- (4) Jeff Levy was hired as Elementary School Principal in August 2007 at an annual salary of \$53,000.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

	2007	2006
Assessed valuation	\$ <u>17,259,973</u>	\$ <u>16,877,437</u>
Tax rates:		
Incidental	\$ 4.3800	\$ 4.2751
Debt service	<u>0.6500</u>	<u>0.7600</u>
Total	\$ <u>5.0300</u>	\$ <u>5.0351</u>



Susan Montee, CPA
Missouri State Auditor

Twenty-Sixth Judicial Circuit

City of Lebanon Municipal Division



May 2008

Report No. 2008-27

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

An audit was conducted by our office of the Twenty-sixth Judicial Circuit, city of Lebanon, Missouri Municipal Division.

The Court Clerk accepts payments for and maintains a bank account for bonds. Independent reconciliations of bond receipts and deposits are not performed and receipt slips were not issued for some bonds received. We noted four bonds totaling \$1,155 were deposited for which receipt slips were not issued during the year ended October 31, 2007. In addition, during our review we noted five bonds totaling \$4,008 for which receipt slips were not issued by the police department.

Although the Court Clerk files a monthly report with the city, the report does not include all information required by state law. Also, the court does not have an adequate password system or procedures to restrict access to the computer system.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Sixth Judicial Circuit
and
Municipal Judge
Lebanon, Missouri

We have audited certain operations of the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.
3. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent

person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit.

A petition audit of the City of Lebanon fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Natalie McNish

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Independent reconciliations of bond receipts and deposits are not performed. In addition, receipt slips were not issued for some bonds received. The court does not file a detailed monthly report of all cases heard in court. Also, access to the court's computer system and data files is not adequately restricted.

The Court Clerk accepts payments for and maintains a bank account for bonds. For fines and costs, the Court Clerk issues a payment slip indicating the amount due and records the payment of fines and court costs into the court's computerized accounting software. The defendant then pays fines and court costs to the city's cash collection clerks who issue a receipt slip. The monies are deposited into the city's bank account. The Court Clerk and City Clerk indicated they reconcile amounts recorded for fines and court costs.

- A.1. Independent reconciliations of bond receipts and deposits are not performed and receipt slips were not issued for some bonds received. While the Municipal Judge indicated he reviews the bank reconciliations, this review does not include a reconciliation of receipts and deposits. The court clerk indicated she reconciles the composition of receipts to deposits; however, during our review of bond receipts for the year ended October 31, 2007, we noted four bonds totaling \$1,155 were deposited for which receipt slips were not issued by the court.

In addition, prenumbered rediform receipt slips rather than official prenumbered receipt slips are issued.

2. During our review we noted five bonds totaling \$4,008 for which receipt slips were not issued by the police department. Bonds are received by the court during regular office hours and by the police department at other times. Bonds received by the police department are transmitted to the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for. Internal controls would be improved by ensuring a documented independent comparison of bond receipt slips issued to amounts deposited is performed. In addition, official prenumbered receipt slips should be issued by the court and police department for all bond monies received.

A similar condition for the court was noted in our prior report.

- B. The Court Clerk does not file a detailed monthly report with the city of all cases heard in court. The Court Clerk reports the number of cases on the docket and

new cases filed. However, Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including the name of the defendant, the fine imposed and the amount of court costs, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

- C. The court does not have an adequate password system or procedures to restrict access to the computer system. Passwords are used, but passwords are shared by court employees and are not changed periodically to ensure that they remain confidential.

Passwords should be unique, confidential, and changed periodically to reduce the possibility of unauthorized users, provide increased accountability, and provide an audit trail of transactions processed.

WE RECOMMEND the city of Lebanon Municipal Division:

- A. Ensure a periodic documented independent comparison of bond receipt slips issued to amounts deposited is performed. In addition, official prenumbered receipt slips should be issued for all bond monies received.
- B. Prepare detailed monthly reports of cases heard in court and file these reports with the city in accordance with state law.
- C. Ensure passwords remain confidential and require passwords to be changed periodically.

AUDITEE'S RESPONSE

The Court Clerk indicated:

- A.1. *Each month, the bond account bank statement is reconciled with the bonds on the court computer system. A computer generated statement is printed out once all the entries from the bank statement are entered into the computer, and any outstanding checks are recorded on the statement. After that is complete both statements should balance to each other. Every month our statements have been in balance.*

An independent comparison of bond receipt slips to amounts deposited will be performed monthly by the Municipal Judge when the Municipal Judge reviews the reconciliation of the bond account. As for printing "official" bond receipts rather than using pre-printed ones, this is a minor issue given that only a small number of receipts are used each year, and there is such a low risk of forgery of a bond receipt. The system of checks and balances would prevent the use of a forged receipt. Such a requirement is also not cost effective.

- 2. *Again, all bond monies have been accounted for that have been provided to the Municipal Court, and this appears to be merely an error by police department personnel. The police department should properly prepare and record receipt of bond monies in*

their cash bond book, and should further provide a copy of the bond receipt to the Court daily when the bond monies are turned over to the Court.

- B. The Court has for at least the past 13 years timely provided a detailed, computer software generated report to the City Clerk on a monthly basis to comply with Section 479.080.3, RSMo.*

The requirement of more detailed reports to fully comply with Section 479.080.3, RSMo, has already been implemented.

- C. The Court respectfully disagrees with this requirement. The computer system in place required that the full-time clerk's (primary) computer be turned on and logged into the system for the printer to work with the part-time clerk's (secondary) computer or the computer in the courtroom. Each clerk would therefore have to have access to the primary computer. The sharing of passwords between the two court clerks was thus necessary and did not, in any event, cause a breach of security. Passwords are only necessary to prevent unauthorized entry by non-authorized persons.*

We have now repaired the network/computer problem that required the clerks to use shared passwords. However, the Court still disagrees as to the necessity of separate passwords between the clerks as the Court does not handle money and our software system does not differentiate between entries made by particular clerks or the judge. Again, passwords are important to prevent unauthorized access by non-court personnel only.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended October 31, 2001.

The prior recommendation which has not been implemented is repeated in the current MAR.

City of Lebanon Municipal Division

- A.1. The Court Clerk did not always issue receipt slips for bonds received and the composition of monies received was not always reconciled to the composition of the monies deposited.
- 2. The municipal division did not have adequate procedures to follow up on outstanding checks and bonds held for over one year.
- B.1. Neither the police department nor the municipal division maintained adequate records to account for the traffic and parking tickets assigned and issued, and their ultimate disposition.
- 2. Neither the police department nor the municipal division maintained adequate records to account for complaint/summons forms assigned and issued, and their ultimate disposition.

Recommendations:

The City of Lebanon Municipal Division:

- A.1. Issue prenumbered receipt slips for all monies received and reconcile the composition of receipts to the composition of monies deposited.
- 2. Dispose of unclaimed bonds in accordance with state law, and periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section.
- B.1. Work with the police department to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all traffic and parking tickets assigned and issued.

2. Work with the police department to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all complaint/summons forms assigned and issued.

Status:

- A.1. Not implemented. The court clerk indicated she reconciles the composition of monies received to the composition of the monies deposited; however, receipt slips were not issued for some bond monies collected. See the MAR finding.

A.2,

B.1.

&B.2 Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Lebanon Municipal Division is in the Twenty-Sixth Judicial Circuit, which consists of Camden, Laclede, Miller, Moniteau, and Morgan counties. The Honorable Greg Kays serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At October 31, 2007, the municipal division employees were as follows:

Municipal Judge	Mark Rector
Court Clerk	Tane Burris
Court Clerk	Barbara Mullins

Financial and Caseload Information

	<u>Year Ended October 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$313,471	322,011
Number of cases filed	2,828	2,657



Susan Montee, CPA
Missouri State Auditor

Holt County



May 2008

Report No. 2008-28

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Holt, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by the Missouri Constitution.

The county did not solicit proposals or request qualifications for its engineering services on federally funded bridge projects. The county has used the same engineering firm the last several years; however, the reasons this firm was selected were not documented. Engineering costs incurred for the various bridge projects during 2006 and 2005 totaled \$158,564.

The county does not have written contracts with the various political subdivisions in the county to which they provide dispatching services and currently provides dispatching services, at no charge, for the Atchison Holt Ambulance District, Mound City Police Department, Oregon Police Department and four fire districts. The county maintains no data on the number of calls received and dispatched for each political subdivision or the total calls dispatched. The county needs to perform a cost analysis to determine if a fee should be charged for dispatching calls for the various political subdivisions.

Administrative transfers from the Special Road and Bridge Fund (SRBF) to the General Revenue Fund (GRF) were excessive and the county lacked support for how they were calculated. The cumulative excess transfers totaled approximately \$23,400 as of December 31, 2006. In addition, transfers were made from the 911 Fund to the GRF and SRBF without supporting documentation.

Improvements are needed in the tracking of vehicle and fuel usage in the Road and Bridge Department. During the two years ended December 31, 2006, the county spent approximately \$215,000 on fuel purchases for the Road and Bridge Department. Usage logs for road and bridge vehicles and equipment are not maintained, and fuel purchases and usage are not tracked or monitored.

County property records and physical inventory procedures for capital assets are not adequate. While a new Inventory Management Policy was adopted by the County Commission in 2005, the procedures required by this policy have not been followed.

Also included in the audit report are recommendations related to personnel policies and leave balances, apportionment of railroad and utility taxes, the Sheriff's accounting controls and procedures, and the Public Administrator's salary.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

HOLT COUNTY, MISSOURI

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HOLT COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Holt County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Holt County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 6, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Holt County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

December 6, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams
Audit Staff:	Eartha Taylor, CPA
	Karla Swift



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Holt County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Holt County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Holt County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

December 6, 2007

Financial Statements

Exhibit A-1

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 238,648	1,309,598	1,313,312	234,934
Special Road and Bridge	265,803	2,327,321	2,269,785	323,339
Assessment	10,166	118,423	116,503	12,086
Law Enforcement Training	11,165	7,560	10,720	8,005
Prosecuting Attorney Training	3,148	1,332	639	3,841
911	68,268	92,457	112,704	48,021
Recorder's Special	23,896	5,217	3,829	25,284
Sheriff's Civil Fee	8,380	6,232	8,036	6,576
Election Improvements	15,614	77,870	83,872	9,612
Debt Service	4,130	3,351	3,536	3,945
Clerk's Election Fee	5,816	0	20	5,796
Victims of Domestic Violence	75	170	0	245
Johnson Grass	51,560	25,833	29,666	47,727
Prosecuting Attorney Delinquent Tax	2,269	0	0	2,269
Prosecuting Attorney Bad Check	651	236	18	869
Prosecuting Attorney Dialog	3,985	0	3,985	0
Cemetery Trust	27,095	819	342	27,572
Collector's Tax Maintenance	315	9,076	6,675	2,716
Senior Services	2,522	42,934	37,247	8,209
Law Library	587	3,182	3,459	310
Total	\$ 744,093	4,031,611	4,004,348	771,356

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 316,797	1,157,527	1,235,676	238,648
Special Road and Bridge	297,559	1,829,067	1,860,823	265,803
Assessment	8,173	113,507	111,514	10,166
Law Enforcement Training	9,299	6,094	4,228	11,165
Prosecuting Attorney Training	3,061	1,069	982	3,148
911	68,816	85,107	85,655	68,268
Recorder's Special	31,287	5,577	12,968	23,896
Sheriff's Civil Fee	4,145	8,340	4,105	8,380
Election Improvements	15,000	614	0	15,614
Debt Service	4,620	3,172	3,662	4,130
Clerk's Election Fee	5,909	724	817	5,816
Victims of Domestic Violence	445	120	490	75
Johnson Grass	63,412	36,465	48,317	51,560
Prosecuting Attorney Delinquent Tax	2,269	0	0	2,269
Prosecuting Attorney Bad Check	501	161	11	651
Prosecuting Attorney Dialog	0	3,985	0	3,985
Cemetery Trust	26,682	867	454	27,095
Community Development Block Grant	0	1,000	1,000	0
Collector's Tax Maintenance	386	6,370	6,441	315
Environmental Protection Agency Grant	0	42,017	42,017	0
Senior Services	0	3,707	1,185	2,522
Law Library	919	2,114	2,446	587
Total	\$ 859,280	3,307,604	3,422,791	744,093

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 4,261,991	4,028,429	(233,562)	3,403,925	3,301,783	(102,142)
DISBURSEMENTS	4,835,456	4,000,889	834,567	4,004,917	3,419,160	585,757
RECEIPTS OVER (UNDER) DISBURSEMENTS	(573,465)	27,540	601,005	(600,992)	(117,377)	483,615
CASH, JANUARY 1	743,506	743,506	0	858,360	858,361	1
CASH, DECEMBER 31	170,041	771,046	601,005	257,368	740,984	483,616
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	294,000	277,889	(16,111)	282,000	260,229	(21,771)
Sales taxes	415,000	461,077	46,077	433,500	420,694	(12,806)
Intergovernmental	171,454	205,303	33,849	180,930	173,418	(7,512)
Charges for services	196,500	183,157	(13,343)	199,400	188,599	(10,801)
Interest	15,000	17,699	2,699	6,000	13,435	7,435
Other	7,100	5,157	(1,943)	6,625	4,084	(2,541)
Transfer in	160,300	159,316	(984)	119,000	97,068	(21,932)
Total Receipts	1,259,354	1,309,598	50,244	1,227,455	1,157,527	(69,928)
DISBURSEMENTS						
County Commissioner	69,354	67,583	1,771	69,354	68,048	1,306
County Clerk	98,100	86,891	11,209	94,673	89,127	5,546
Elections	55,102	45,192	9,910	39,850	33,264	6,586
Buildings and grounds	50,034	33,232	16,802	50,534	35,654	14,880
Employee fringe benefit	262,000	208,520	53,480	257,000	214,308	42,692
County Treasurer	35,200	33,895	1,305	34,150	33,386	764
County Collector	62,297	60,719	1,578	61,288	60,322	966
Ex Officio Recorder of Deed	4,600	1,676	2,924	3,950	1,298	2,652
Associate Circuit Court	12,000	4,960	7,040	11,950	4,174	7,776
Court administration	11,900	2,187	9,713	12,100	1,259	10,841
Public Administrator	14,940	14,765	175	14,685	14,698	(13)
Sheriff	206,633	196,855	9,778	189,283	174,412	14,871
Jail	159,736	152,730	7,006	107,892	94,351	13,541
Prosecuting Attorney	68,537	65,951	2,586	72,523	67,577	4,946
Juvenile Officer	10,785	7,732	3,053	10,533	8,120	2,413
County Coroner	14,775	10,912	3,863	13,275	8,025	5,250
Health Department	136,486	141,507	(5,021)	129,206	127,166	2,040
Public health and welfare service	4,400	4,400	0	4,150	4,150	0
Other	166,750	164,605	2,145	241,670	186,613	55,057
Transfer out	12,500	9,000	3,500	12,000	9,724	2,276
Emergency	36,450	0	36,450	42,310	0	42,310
Total Disbursements	1,492,579	1,313,312	179,267	1,472,376	1,235,676	236,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	(233,225)	(3,714)	229,511	(244,921)	(78,149)	166,772
CASH, JANUARY 1	238,648	238,648	0	316,797	316,797	0
CASH, DECEMBER 31	5,423	234,934	229,511	71,876	238,648	166,772

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	367,000	348,266	(18,734)	341,000	315,416	(25,584)
Sales taxes	332,300	342,230	9,930	326,700	330,362	3,662
Intergovernmental	1,903,210	1,604,719	(298,491)	1,099,397	1,103,311	3,914
Charges for services	3,000	163	(2,837)	0	5,302	5,302
Interest	18,250	19,332	1,082	5,300	14,705	9,405
Other	25,000	7,611	(17,389)	27,387	54,971	27,584
Transfer in	5,000	5,000	0	5,000	5,000	0
Total Receipts	2,653,760	2,327,321	(326,439)	1,804,784	1,829,067	24,283
DISBURSEMENTS						
Salaries	290,000	242,912	47,088	280,000	259,785	20,215
Employee fringe benefit	115,000	104,272	10,728	113,000	106,506	6,494
Supplies	180,000	156,770	23,230	160,000	147,113	12,887
Insurance	22,000	22,368	(368)	30,000	20,465	9,535
Road and bridge materials	139,500	56,710	82,790	191,000	134,083	56,917
Rentals	15,000	1,274	13,726	25,000	24,526	474
Equipment purchases	65,000	64,133	867	65,000	64,319	681
Construction, repair, and maintenance	1,750,000	1,434,104	315,896	937,295	925,274	12,021
Other	44,000	32,825	11,175	70,500	70,948	(448)
Equipment repairs	45,000	21,551	23,449	40,000	39,686	314
Transfer out	131,300	132,866	(1,566)	88,000	68,118	19,882
Total Disbursements	2,796,800	2,269,785	527,015	1,999,795	1,860,823	138,972
RECEIPTS OVER (UNDER) DISBURSEMENTS	(143,040)	57,536	200,576	(195,011)	(31,756)	163,255
CASH, JANUARY 1	265,803	265,803	0	297,559	297,559	0
CASH, DECEMBER 31	122,763	323,339	200,576	102,548	265,803	163,255
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	104,177	105,887	1,710	95,400	101,300	5,900
Charges for services	1,700	1,700	0	1,500	1,900	400
Interest	1,400	1,836	436	450	1,307	857
Other	0	0	0	200	0	(200)
Transfer in	9,000	9,000	0	9,000	9,000	0
Total Receipts	116,277	118,423	2,146	106,550	113,507	6,957
DISBURSEMENTS						
Assessor	119,491	116,503	2,988	113,762	111,514	2,248
Total Disbursements	119,491	116,503	2,988	113,762	111,514	2,248
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,214)	1,920	5,134	(7,212)	1,993	9,205
CASH, JANUARY 1	10,166	10,166	0	8,173	8,173	0
CASH, DECEMBER 31	6,952	12,086	5,134	961	10,166	9,205

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING</u>						
RECEIPTS						
Intergovernmental	1,500	2,283	783	0	1,884	1,884
Charges for service:	4,000	4,840	840	4,100	3,962	(138)
Interest	300	398	98	150	234	84
Other	0	39	39	100	14	(86)
Total Receipts	5,800	7,560	1,760	4,350	6,094	1,744
DISBURSEMENTS						
Training	16,950	10,720	6,230	13,648	4,228	9,420
Total Disbursements	16,950	10,720	6,230	13,648	4,228	9,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,150)	(3,160)	7,990	(9,298)	1,866	11,164
CASH, JANUARY 1	11,165	11,165	0	9,298	9,299	1
CASH, DECEMBER 31	15	8,005	7,990	0	11,165	11,165
<u>PROSECUTING ATTORNEY TRAINING</u>						
RECEIPTS						
Charges for service:	1,000	1,224	224	1,000	991	(9)
Interest	85	108	23	32	78	46
Total Receipts	1,085	1,332	247	1,032	1,069	37
DISBURSEMENTS						
Training	4,000	639	3,361	4,000	982	3,018
Total Disbursements	4,000	639	3,361	4,000	982	3,018
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,915)	693	3,608	(2,968)	87	3,055
CASH, JANUARY 1	3,148	3,148	0	3,061	3,061	0
CASH, DECEMBER 31	233	3,841	3,608	93	3,148	3,055
<u>911</u>						
RECEIPTS						
Sales taxes	83,000	85,561	2,561	82,500	82,596	96
Interest	2,200	2,526	326	775	1,881	1,106
Other	3,000	4,370	1,370	2,000	630	(1,370)
			0			0
Total Receipts	88,200	92,457	4,257	85,275	85,107	(168)
DISBURSEMENTS						
Office expenditure:	66,600	55,734	10,866	58,950	37,921	21,029
Equipment	18,300	16,848	1,452	12,250	7,436	4,814
Mileage and training	5,000	0	5,000	5,000	0	5,000
Other	18,500	9,122	9,378	30,000	6,798	23,202
Transfer out	33,500	31,000	2,500	33,500	33,500	0
Total Disbursements	141,900	112,704	29,196	139,700	85,655	54,045
RECEIPTS OVER (UNDER) DISBURSEMENTS	(53,700)	(20,247)	33,453	(54,425)	(548)	53,877
CASH, JANUARY 1	68,268	68,268	0	68,816	68,816	0
CASH, DECEMBER 31	14,568	48,021	33,453	14,391	68,268	53,877

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S SPECIAL FUND</u>						
RECEIPTS						
Charges for service:	4,800	4,384	(416)	5,200	4,796	(404)
Interest	800	833	33	275	781	506
Total Receipts	5,600	5,217	(383)	5,475	5,577	102
DISBURSEMENTS						
Office expenditures:	28,000	3,829	24,171	33,000	12,968	20,032
Total Disbursements	28,000	3,829	24,171	33,000	12,968	20,032
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,400)	1,388	23,788	(27,525)	(7,391)	20,134
CASH, JANUARY 1	23,896	23,896	0	31,287	31,287	0
CASH, DECEMBER 31	1,496	25,284	23,788	3,762	23,896	20,134
<u>SHERIFF'S CIVIL FEE</u>						
RECEIPTS						
Charges for service:	0	5,935	5,935	6,000	8,220	2,220
Interest	0	297	297	60	120	60
Total Receipts	0	6,232	6,232	6,060	8,340	2,280
DISBURSEMENTS						
Other	7,000	8,036	(1,036)	9,000	4,105	4,895
Total Disbursements	7,000	8,036	(1,036)	9,000	4,105	4,895
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,000)	(1,804)	5,196	(2,940)	4,235	7,175
CASH, JANUARY 1	8,380	8,380	0	4,145	4,145	0
CASH, DECEMBER 31	1,380	6,576	5,196	1,205	8,380	7,175
<u>ELECTION IMPROVEMENTS FUND</u>						
RECEIPTS						
Intergovernmental	78,040	77,037	(1,003)	70,000	614	(69,386)
Interest	0	833	833	0	0	0
Transfer in	2,000	0	(2,000)	0	0	0
Total Receipts	80,040	77,870	(2,170)	70,000	614	(69,386)
DISBURSEMENTS						
Election expenditures:	92,787	83,872	8,915	85,000	0	85,000
Total Disbursements	92,787	83,872	8,915	85,000	0	85,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,747)	(6,002)	6,745	(15,000)	614	15,614
CASH, JANUARY 1	15,614	15,614	0	15,000	15,000	0
CASH, DECEMBER 31	2,867	9,612	6,745	0	15,614	15,614

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DEBT SERVICE FUND</u>						
RECEIPTS						
Property taxes	2,900	3,351	451	3,062	2,878	(184)
Interest	350	0	(350)	225	294	69
Total Receipts	3,250	3,351	101	3,287	3,172	(115)
DISBURSEMENTS						
Other	7,200	3,536	3,664	7,900	3,662	4,238
Total Disbursements	7,200	3,536	3,664	7,900	3,662	4,238
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,950)	(185)	3,765	(4,613)	(490)	4,123
CASH, JANUARY 1	4,130	4,130	0	4,620	4,620	0
CASH, DECEMBER 31	180	3,945	3,765	7	4,130	4,123
<u>CLERK'S ELECTION FEE FUND</u>						
RECEIPTS						
Transfer in	2,000	0	(2,000)	500	724	224
Total Receipts	2,000	0	(2,000)	500	724	224
DISBURSEMENTS						
Other	7,800	20	7,780	6,400	817	5,583
Total Disbursements	7,800	20	7,780	6,400	817	5,583
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,800)	(20)	5,780	(5,900)	(93)	5,807
CASH, JANUARY 1	5,816	5,816	0	5,909	5,909	0
CASH, DECEMBER 31	16	5,796	5,780	9	5,816	5,807
<u>VICTIM'S OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	175	170	(5)	200	120	(80)
Total Receipts	175	170	(5)	200	120	(80)
DISBURSEMENTS						
Other	250	0	250	600	490	110
Total Disbursements	250	0	250	600	490	110
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75)	170	245	(400)	(370)	30
CASH, JANUARY 1	75	75	0	445	445	0
CASH, DECEMBER 31	0	245	245	45	75	30

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	0	23,360	23,360	24,405	22,050	(2,355)
Intergovernmental	0	77	77	100	91	(9)
Charges for services	0	0	0	0	1,493	1,493
Interest	0	2,396	2,396	950	2,031	1,081
Other	0	0	0	10,600	10,800	200
Total Receipts	0	25,833	25,833	36,055	36,465	410
DISBURSEMENTS						
Salaries	22,000	20,036	1,964	18,500	16,649	1,851
Office expenditure:	2,000	2,000	0	1,750	1,750	0
Equipment	21,000	7,630	13,370	43,000	29,918	13,082
Total Disbursements	45,000	29,666	15,334	63,250	48,317	14,933
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,000)	(3,833)	41,167	(27,195)	(11,852)	15,343
CASH, JANUARY 1	51,560	51,560	0	63,412	63,412	0
CASH, DECEMBER 31	6,560	47,727	41,167	36,217	51,560	15,343
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Other	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Other	2,269	0	2,269	2,269	0	2,269
Total Disbursements	2,269	0	2,269	2,269	0	2,269
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,269)	0	2,269	(2,269)	0	2,269
CASH, JANUARY 1	2,269	2,269	0	2,269	2,269	0
CASH, DECEMBER 31	0	2,269	2,269	0	2,269	2,269
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	150	236	86	320	161	(159)
Total Receipts	150	236	86	320	161	(159)
DISBURSEMENTS						
Other	750	18	732	800	11	789
Total Disbursements	750	18	732	800	11	789
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	218	818	(480)	150	630
CASH, JANUARY 1	651	651	0	501	501	0
CASH, DECEMBER 31	51	869	818	21	651	630

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DIALOG FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	3,985	3,985
Total Receipts	0	0	0	0	3,985	3,985
DISBURSEMENTS						
Equipment	3,985	3,985	0	0	0	0
Total Disbursements	3,985	3,985	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,985)	(3,985)	0	0	3,985	3,985
CASH, JANUARY 1	3,985	3,985	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	3,985	3,985
<u>CEMETERY TRUSTS FUND</u>						
RECEIPTS						
Interest	1,000	819	(181)	800	867	67
Total Receipts	1,000	819	(181)	800	867	67
DISBURSEMENTS						
Other	27,400	342	27,058	2,900	454	2,446
Total Disbursements	27,400	342	27,058	2,900	454	2,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,400)	477	26,877	(2,100)	413	2,513
CASH, JANUARY 1	27,095	27,095	0	26,682	26,682	0
CASH, DECEMBER 31	695	27,572	26,877	24,582	27,095	2,513
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental				1,000	1,000	0
Total Receipts				1,000	1,000	0
DISBURSEMENTS						
Other				1,000	1,000	0
Total Disbursements				1,000	1,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>COLLECTOR'S TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	6,500	9,076	2,576	8,765	6,370	(2,395)
Total Receipts	6,500	9,076	2,576	8,765	6,370	(2,395)
DISBURSEMENTS						
Other	6,267	6,225	42	7,050	5,991	1,059
Transfer out	450	450	0	450	450	0
Total Disbursements	6,717	6,675	42	7,500	6,441	1,059
RECEIPTS OVER (UNDER) DISBURSEMENTS	(217)	2,401	2,618	1,265	(71)	(1,336)
CASH, JANUARY 1	315	315	0	386	386	0
CASH, DECEMBER 31	98	2,716	2,618	1,651	315	(1,336)

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

Year Ended December 31,						
2006				2005		
			Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
<u>ENVIRONMENTAL PROTECTION AGENCY GRANT FUND</u>						
RECEIPTS						
Intergovernmental				42,017	42,017	0
Total Receipts				42,017	42,017	0
DISBURSEMENTS						
Other				42,017	42,017	0
Total Disbursements				42,017	42,017	0
RECEIPTS OVER (UNDER) DISBURSEMENTS						
				0	0	0
CASH, JANUARY 1						
				0	0	0
CASH, DECEMBER 31						
				0	0	0
<u>SENIOR CITIZEN'S SERVICE FUND</u>						
RECEIPTS						
Property taxes	38,700	40,040	1,340			
Intergovernmental	100	1,731	1,631			
Interest	0	1,163	1,163			
Total Receipts	38,800	42,934	4,134			
DISBURSEMENTS						
Other	34,578	37,247	(2,669)			
Total Disbursements	34,578	37,247	(2,669)			
RECEIPTS OVER (UNDER) DISBURSEMENTS						
	4,222	5,687	1,465			
CASH, JANUARY 1						
	2,522	2,522	0			
CASH, DECEMBER 31						
	6,744	8,209	1,465			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HOLT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Law Library Fund for the years ended December 31, 2006 and 2005 or the Senior Services Fund for the year ended December 31, 2005.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Civil Fee Fund	2006
Senior Services Fund	2006

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2006 and 2005
Prosecuting Attorney Dialog Fund	2006 and 2005
Prosecuting Attorney Bad Check Fund	2005
Community Development Block Grant Fund	2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Holt County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's correspondent banks in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The Debt Service Fund's cash balance at January 1, 2005, as previously stated has been decreased by \$30,000 to reflect the actual beginning cash balance.

Supplementary Schedule

HOLT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERSC45-5143	\$ 3,809	11,249
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state			
	Department of Economic Development -			
14.219	Golden Triangle Energy	99-ED-17	0	1,000
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state			
20.205	Highway Planning and Constructor	BRO - 15	0	895
		BRO - 16	0	895
		BRO - 24	0	20,286
		BRO - 25	0	225,701
		BRO - 26	0	293,583
		BRO - 27	1,046,952	40,862
		BRO - 28	19,083	0
	Program Total		1,066,035	582,222
GENERAL SERVICES ADMINISTRATION				
	Passed through state			
	Office of Secretary of State			
39.011	Election Reform Payment:	47060101808	0	7,355
ELECTIONS ASSISTANCE COMMISSION				
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	78,472	1,211
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through the Office of Secretary of State			
93.617	Help America Vote Act Requirements Payments - HH	HAVAHHSFED	5,400	0
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects - Stat and Local Childhood Lead Poisoning Preventio and Surveillance of Blood Lead Levels in Childre	CCU722882-02	1,284	1,000
93.268	Immunization Grants	PGA064-5143	0	868
		N/A	20,476	10,817
	Program Total		20,476	11,685

HOLT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc Bioterrorism Grant Program Total	650/CCU7237760 CCU716971-5A	4,587 3,500 <u>8,087</u>	0 3,500 <u>3,500</u>
93.575	Child Care and Development Block Gran	PGA067-5226C	0	1,450
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5143M	8,596	16,543
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.042	Emergency Management Performance Grant	EMPG2005	0	3,400
97.051	State and Local All Hazards Emergency Operation Planning	N/A	0	13,970
97.067	Homeland Security Grant Program	SHSP-ODP2005	11,936	0
Total Expenditures of Federal Award:			\$ <u><u>1,204,095</u></u>	<u><u>654,585</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

HOLT COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Holt County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) include acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Holt County, Missouri

Compliance

We have audited the compliance of Holt County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Holt County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

Internal Control Over Compliance

The management of Holt County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider the significant deficiency referred to above to be a material weakness.

The response of Holt County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of Holt County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, CPA
State Auditor

December 6, 2007

Schedule

HOLT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2006 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

06-1.

Professional Services

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO(15), 16), (24), (25), (26), (27) and (28)
Award Years:	2006 and 2005
Questioned Costs:	\$158,564

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. These projects are 80 percent federally funded.

The county did not solicit proposals or request qualifications for its engineering services during the years ended December 31, 2006 and 2005. The county used one engineering firm for the various BRO projects and the County Commission indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects; however, these reasons were not formally documented. The county incurred engineering costs of \$158,564 for the various projects during 2006 and 2005. The county provides their 20 percent to the projects through off-system bridge credits (soft match), thus the federal share of these engineering costs was 100 percent.

The Federal OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the

work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

WE RECOMMEND the County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We have already solicited proposals for engineering on 2008 bridge projects. We will contact the Missouri Department of Transportation (MoDOT) to resolve these questioned costs.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOLT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Holt County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004.

04-1. Budgetary Practices

- A. The County did not adopt a budget for the Law Library Fund for years ended December 31, 2004 and 2003.
- B. Warrants were issued in excess of approved budgets for the Law Library Fund for two years ended December 31, 2004 and Collector's Tax Maintenance Fund for year ended December 31, 2004.

Recommendation:

- A. The County adopt budgets for all funds.
- B. Warrants not be issued in excess of budgeted amounts.

Status:

- A. Not implemented. Formal budgets were not prepared for the Law Library Fund for the years ended December 31, 2006 and 2005. Although not repeated in the current report, the recommendation remains as stated above.
- B. Not implemented. Warrants were issued in excess of approved budgets for the Sheriff Civil Fees Fund and Senior Services Fund for the year ended December 31, 2006. Although not repeated in the current report, the recommendation remains as stated above.

04-2 Published Financial Statements:

The County's published financial statements did not include the Law Library Fund for the years ended December 31, 2004 and 2003.

Recommendation:

Ensure that financial information for all county funds be properly reported in the annual published financial statements.

Status:

Not implemented. The Law Library Fund and Prosecuting Attorney Dialog Fund were not presented in the published financial statements for 2006 or 2005 and the Prosecuting Attorney Bad Check Fund and Community Development Block Grant (CDBG) Fund were not in the published financial statements for 2005. Although not repeated in the current report, the recommendation remains as stated above.

04-3 Capital Improvement Sales Tax

Through the combined rates for both of the capital improvement sales taxes, the county levied one percent, which was apparently above the statutory maximum.

Recommendation:

Review the overall capital improvement sales taxes being levied and ensure they are in accordance with applicable state statutes.

Status:

Not implemented. No action has been taken by the County Commission regarding the combined rates for both of the capital improvement sales taxes. Although not repeated in the current report, the recommendation remains as stated above.

04-4 Fixed Assets

The fixed asset listings had not been updated nor had a physical inventory been completed since 2000. In addition, the county had not developed a policy to define who was responsible for inventory records, the procedures to be followed, and the content of the records.

Recommendation:

Establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Partially implemented. While a policy related to capital assets has been developed, this policy has not been followed. See Management Advisory Report finding number 3.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HOLT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOLT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 6, 2007. We also have audited the compliance of Holt County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 6, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Holt County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in

accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Holt County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. 911 Revenue Maximization

The county does not have written contracts with the various political subdivisions in the county to which they provide dispatching services. Holt County's 911 center, operated by the Sheriff's Department, currently provides dispatching services, at no charge, for the Atchison Holt Ambulance District, Mound City Police Department, Oregon Police Department, and four fire districts. The county has not performed a cost analysis of providing dispatching services to these various entities, and currently these services are provided at no charge.

In November 1994, Holt County voters approved a ¼ cent sales tax to be used for the purpose of implementing and operating an enhanced 911 system. Previously, Atchison County dispatched ambulance calls for the county; however, in January 2006 the County Commission voted to take over dispatching the Holt county ambulance calls through the Holt County Sheriff's Department. This 911 center provides dispatching services to all political subdivisions in the county and receives and expends approximately \$90,000 per year, which is apparently sufficient at this time to provide 911 services. The county does not track the number of calls received and dispatched for each political subdivision or the total calls dispatched, which is necessary to determine the costs associated with dispatching services. The county should perform a cost analysis of providing these services and, if in the future, the costs associated with providing dispatching services exceed available revenues, the county may need to consider charging a fee for dispatching. At a minimum, the county should enter into written contracts with these entities for dispatching services.

Contracts for services provided to other entities should cover the costs of providing such services and should be maintained on a current basis. While revenues are currently sufficient to cover the costs of these services, the county should monitor these costs and begin charging for these services if necessary in the future.

WE RECOMMEND the County Commission ensure contracts are entered into for dispatching services and perform and document a cost analysis of providing dispatching services to other entities on an annual basis to determine if a charge is necessary.

AUDITEE'S RESPONSE

We will enter into contracts for dispatching services by January 2009 and will analyze the cost of providing these services annually in conjunction with the preparation of our annual budget. Any fees that need to be charged to these entities will be determined at a later date.

2.**Personnel Policies and Leave Balances**

The county has not adopted adequate time keeping policies and procedures to account for and monitor payroll costs of approximately \$1 million annually. Additionally, accumulated leave liabilities cannot be estimated at this time because of the lack of records maintained by the county. Standardized time sheets are not required to be submitted to the County Clerk by all employees and the County Clerk only maintains centralized leave records for road and bridge employees. Other employees' leave balances are to be tracked by the department heads, but it appears that some officials are not doing this. For example, the Sheriff indicated his employees track their own leave and the Prosecuting Attorney does not track the leave balances for his employee. Some record of time worked is submitted to the County Clerk for all employees except Sheriff's deputies, but each office holder has adopted a different style time sheet for their office. The task of monitoring payroll costs and maintaining centralized leave records is more difficult when hours worked and leave usage is reported differently by the various employees.

Without standardized time sheets and centralized and complete leave records, the County Commission cannot adequately monitor payroll costs, ensure that employee's vacation leave, sick leave, and overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Additionally, the county cannot reasonably estimate their leave liability from the records currently maintained. Centralized leave records aid in determining final pay for employees leaving county employment or in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA). Standardizing time sheets and requiring timesheets be submitted for all county employees would allow centralized leave records to be maintained more easily.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission require all employees to submit a standardized timesheet and require the County Clerk to maintain centralized records of all leave earned, used, and accumulated for all county employees.

AUDITEE'S RESPONSE

This has been implemented.

3.**Transfers**

Administrative transfers from the Special Road and Bridge Fund (SRBF) to the General Revenue Fund (GRF) were excessive and the county lacked support for how they were calculated. In addition, transfers were made from the 911 Fund to the GRF and SRBF without supporting documentation.

- A. The administrative transfer from the SRBF to the GRF during 2006 was excessive and the county lacked support for how the transfers were calculated the last several years. At December 31, 2002, the GRF owed the SRBF approximately \$88,500. Administrative transfers for 2003 through 2005 were approximately \$90,800 less than allowable, although no documentation exists to support how the amounts actually transferred for 2003 and 2005 were determined. The December 27, 2004 commission minutes do address this issue though and document the county is taking less than the allowable transfer as part of their repayment plan. The transfer made for 2006 exceeded the allowable amount by approximately \$25,700 and no documentation exists to support how the actual transfer was determined. The amount of cumulative excessive transfers totaled approximately \$23,400 as of December 31, 2006.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRBF. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GRF for related administrative services to the SRBF, and shall not exceed five percent (three percent prior to August 28, 2004) of the SRBF budget.

- B. The county made transfers from the 911 Fund to the GRF and SRBF to cover various administrative costs (including salaries) incurred by those funds. During the two years ended December 31, 2006, transfers to the GRF and SRBF totaled \$54,500 and \$10,000, respectively. The County Clerk indicated the transfers to the GRF were made to cover a portion of dispatching salaries paid from the GRF, as well as administrative costs incurred to process payroll and other administrative functions provided by the County Clerk's office to the 911 Fund. The transfers to the SRBF were apparently to cover maintenance of street signs that were originally paid for by the 911 Fund. The county maintained no formal documentation to support these transfers, although the County Clerk indicated the salary amounts for 911 are much higher than the actual amount transferred.

Without documentation to support the amounts transferred from the 911 Fund to the GRF and SRBF, it is unclear whether these funds were spent for their restricted purpose. The county should maintain documentation to support amounts transferred from the 911 Fund, which is a restricted fund.

WE RECOMMEND the County Commission:

- A. Retain documentation of the administrative transfer calculations. In addition, consider transferring \$23,400 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.
- B. Ensure documentation is maintained to support all amounts transferred between funds.

AUDITEE'S RESPONSE

The County Clerk responded:

- A. *The administrative transfers will be calculated according to state law in the future and the excess transfers will be repaid over the next 2 to 3 years.*
- B. *I will keep better documentation of these transfers in the future.*

4. Apportionment of Railroad and Utility Taxes

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Holt County during the years ended December 31, 2006 and 2005. The County Clerk distributed the taxes based on an incorrect formula she had used in calculations. State law and guidelines set by the Department of Elementary and Secondary Education (DESE) require specific calculations based on various factors. The current County Clerk indicated the same incorrect formula was used by the former County Clerk in past year's calculations. She also indicated the error was corrected before the apportionments for 2007 were calculated and this problem has been resolved.

WE RECOMMEND the County Clerk consult with the various school districts and the DESE for guidance on how to correct these errors. The County Clerk should also review prior year calculations to ensure their accuracy, and future apportionments should be computed in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

I have already contacted the affected school districts, as well as DESE, and believe this issue has been resolved. I have corrected the formula error and the 2007 distribution was calculated properly. I will ensure they are correct in the future.

5. Fuel and Vehicle Records

The Road and Bridge Department does not maintain usage logs for county vehicles and equipment. In addition, fuel purchases and usage are not tracked or monitored. The department maintains 9 vehicles and various pieces of heavy equipment which are housed at three different locations, each having both gasoline and diesel fuel bulk tanks. Rock truck drivers also have credit cards for purchasing fuel for those trucks, if necessary. During the two years ended December 31, 2006, the county spent approximately \$215,000 on fuel purchases for the Road and Bridge Department.

Vehicles and equipment are fueled at the location they are housed at, but because the bulk tanks do not have flow meters, there is no way to track the fuel usage for each vehicle or piece of equipment. In addition, because an inventory record is not maintained for the bulk tanks and no procedure is performed to periodically test the amount of fuel on hand, the county has no basis to determine if fuel purchases for the bulk tanks are reasonable. Also, gas tickets turned in by the rock truck drivers are not compared to the fuel bill from the local vendor prior to approval for payment.

Vehicle logs are necessary to document appropriate use of the vehicles and to support fuel charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges. The failure to compare fuel usage records and gas tickets to vendor billings and analyze vehicle mileage as compared to fuel usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could occur and go undetected.

WE RECOMMEND the County Commission should ensure usage logs are maintained for road and bridge vehicles and equipment and fuel usage and purchase records are reviewed for completeness and reasonableness of usage, and used to verify vendor billings. In addition, the County Commission should ensure inventory records of bulk fuel tanks are maintained.

AUDITEE'S RESPONSE

We are currently installing flow meters for our bulk tanks and are in the process of developing usage logs for all vehicles and equipment which will allow us to account for fuel usage.

6. County Property Records

The county's property records and physical inventory procedures are not adequate. The County Commission implemented a written Inventory Management Policy in November 2005. This policy requires the County Clerk to submit a blank inventory worksheet to all county departments in October, requesting they perform inspections and physical inventories of capital assets and submit the worksheets to the County Clerk by December 1st each year. While it appears the County Clerk distributed the worksheets in 2005 and all departments returned them, no worksheets were submitted to the County Clerk for 2006 because they were not distributed. While the Health Department did perform an annual inventory in early 2007, documentation of this was not submitted to the county. Prior to November 2005 physical inventories were not conducted. We identified several issues during our review of the capital asset worksheets submitted in 2005:

- The County Clerk did not establish an overall county property record from the inventory worksheets submitted in November 2005 by the various county officials.

An overall capital asset record, summarizing the information reported on the inventory worksheets, would help provide accountability for capital assets as well as information needed to ensure adequate insurance coverage. This overall record should be updated annually after departments perform their annual inventories.

- Some inventory worksheets submitted to the County Clerk in 2005 were not complete and signed by the official. Worksheets submitted in 2005 by some departments did not contain detail related to the assets, such as the tag number, serial number, acquisition date, or original purchase price.

Based on the recordkeeping and reporting problems noted above, it is clear that some departments have not complied with statutory provisions and the county's inventory management policy, and an overall county property record has not been established. These problems increase the possibility of undetected theft and inadequate insurance coverage. Section 49.093, RSMo requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Clerk develop an overall county property record and work with other county departments to ensure physical inventories are conducted and reports submitted, and follow up on discrepancies identified during the annual physical inventory process is performed.

AUDITEE'S RESPONSE

I will develop an overall property record as part of our 2008 physical inventory process.

7. Sheriff's Accounting Controls and Procedures
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Duties are not adequately segregated and oversight of the accounting functions is not performed and documented. Open items listings are not prepared and reconciled to the cash balance and a check has been improperly shown as outstanding on bank reconciliations for the past several years. In addition, receipts are not deposited timely.

The Sheriff's Department processed monies totaling approximately \$59,200 and \$60,800 during the years ended December 31, 2006 and 2005, respectively, in civil and criminal case fees and reimbursements, board bills, bonds, inmate and commissary monies, gun permits, and miscellaneous receipts.

- A. Cash custody and accounting duties were not adequately segregated. The Sheriff's administrative assistant is responsible receipting, recording, and depositing monies received; preparing and signing checks; and preparing month-end reports and reconciliations. The Sheriff indicated he reviews the accounting records and reconciliations, but does not document his review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. While formal bank reconciliations are prepared and reconciled to the book balance, listings of open items (liabilities) are not prepared and reconciled to the cash balance. The reconciled balance of the Sheriff's account at December 31, 2006 was approximately \$2,918.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved timely. In addition, reconciling the balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities.

- C. Receipts are not always deposited in a timely manner. Monies are usually collected each business day and, according to the Sheriff, deposits are normally made three times a week. However, a cash count conducted on October 2, 2007 showed monies on hand totaling \$2,120, comprised of receipts collected from September 14 to September 28, 2007, including over \$1,500 in cash held for 5 days. Furthermore, receipts received December 12, 2006 through January 3, 2007, totaling approximately \$2,645 and including \$670 in cash, were not deposited until January 4, 2007. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequently if significant amounts of cash are collected.

A condition similar to part B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Prepare open items listings monthly and reconciled to the cash balance. Any unidentified balance that exists should be identified and distributed in accordance with state law.

C. Deposit all monies intact on a timely basis.

AUDITEE'S RESPONSE

- A. *I have been reviewing the accounting records since assuming the position of Sheriff, but I will ensure that my reviews are documented in the future.*
- B. *I will ensure open items listings are prepared monthly and compared to the reconciled balance. Any difference identified will be distributed in accordance with state law.*
- C. *This has been addressed.*

8. Public Administrator's Salary

It appears the Public Administrator's salary has not been set according to state law. The Public Administrator has received both a salary and fees as compensation since 2001, which was based on Section 473.739, RSMo, which allowed public administrators to receive annual compensation in addition to fees. This law was revised and a new law, Section 473.742, RSMo, enacted in 2000, allowed public administrators to make a determination within thirty days after taking office whether the public administrator elected to receive either a salary or fees. Following the Holt County Public Administrator taking office for a new term in January 2001 and January 2005, he continued to receive both a salary, ranging from \$12,000 to \$13,300 annually since 2001, and fees, ranging from approximately \$3,400 to over \$14,000 annually. It appears based on the number of cases handled by the Public Administrator during this period that the annual salary should have been \$20,000 per year.

In addition, there was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum. The salary amount paid to the Public Administrator, established by the old law, was set at 95 percent of that amount, to correspond with the percentage of the maximum salaries provided by state law paid to other officials for their respective offices.

This entire situation should be discussed with the Prosecuting Attorney and appropriate actions should be taken. Without a documented legal opinion, it is not clear whether the amount paid to the Public Administrator is in accordance with state law.

WE RECOMMEND the County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

AUDITEE'S RESPONSE

The County Commission responded:

We will review this situation and we will ensure the salary is set in accordance with state law when the Public Administrator's new term starts in 2009.

The Public Administrator responded:

I will discuss this situation with the County Commission and if elected to a new term, I will ensure my salary is set in accordance with state law.

Follow-Up on Prior Audit Findings

HOLT COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Holt County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Officials' Salary

The County Treasurer's salary was increased \$10,855 annually with the start of a new term of office; however, actions of the salary commission in approving a raise for the County Treasurer were not supported by a written legal opinion.

Recommendation:

Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

Status:

Not implemented. The County Commission requested a legal written opinion from their legal counsel on December 15, 2003; however, they indicated no response was received and no further action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Personnel Policies and Procedures

- A. Employees and their supervisors were not signing time sheets submitted and the Sheriff's department did not submit time sheets to the County Clerk.
- B. The County Clerk did not maintain records of vacation leave, sick leave or compensatory time earned, taken, or accumulated.

Recommendations:

- A. Require timesheets be submitted for all employees and ensure that all time sheets are appropriately signed by employees, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure a balance of leave accumulated and taken for each employee is maintained by the County Clerk.

Status:

A&B. Not implemented. See MAR finding number 2.

3. Computer Controls

- A. Access to programs and data files were not adequately restricted and formal contingency plans were not developed. The following internal control weaknesses were noted:
 - 1. Passwords were not changed on a periodic basis to ensure confidentiality.
 - 2. Security codes which allow different types of editing (i.e., read, write, delete, add, etc.) were not in place that limit access to the various data files and programs utilized by the County Assessor, County Collector and County Clerk.
- B. The county did not have a formal emergency contingency plan for the computer system and had not formally negotiated arrangements for backup facilities in the event of disaster.

Recommendations:

- A. Access to specified computer programs/data files is restricted to authorized individuals through a system of passwords and security codes. Passwords should be unique by individual and changed periodically.
- B. A formal contingency plan for the county's computer system is developed.

Status:

- A. Partially implemented. Although passwords are assigned to each individual employee, these passwords are not changed periodically. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. While the county does not have a written contingency plan, office holders have established procedures to backup on a regular basis and store backup files either offsite or within fire proof vaults. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Fixed Assets

While the County Clerk maintained an inventory listing of fixed assets held by county officials; the fixed asset listings had not been updated, nor had a physical inventory been completed since 2000. The county had not developed a policy to define who was responsible for inventory records, the procedures to be followed, and the content of the records.

Recommendation:

Establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Partially implemented. The county has developed an inventory management policy as of November 2005; however, inventory records have not been updated, nor has a physical inventory been conducted since December 2005. See MAR finding number 6.

5. Sheriff

Monthly listings of open items were not prepared and, consequently, open items were not reconciled with cash balances.

Recommendation:

Prepare monthly listings of open items and reconcile the listings to the cash balances and attempt to identify the unidentified balances.

Status:

Not Implemented. See MAR finding number 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOLT COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1841, the county of Holt was named after David R. Holt, a member of the state legislature. Holt County is a county-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Oregon.

Holt County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 510 miles of county roads and 84 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 6,882 in 1980 and 5,351 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	47.9	47.2	44.5	44.2	35.0	23.3
Personal property		20.0	19.2	17.2	17.2	8.9	9.0
Railroad and utilities		13.6	13.3	14.1	14.5	8.6	7.9
Total	\$	81.5	79.7	75.8	75.9	52.5	40.2

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Holt County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.3265	.3162	.3319	.3274
Special Road and Bridge Fund *		.4357	.4357	.4357	.4309
Johnson Grass		.0200	.0300	.0300	.0300
Senior Services		.0500	.0500		

* The county retains all tax proceeds from areas not within road districts. The county has four road districts that receive all tax collections from property within these districts. Even though the county is allowed to retain one-fifth in the Special Road and Bridge Fund, this was not done during the audit period, but is now, effective in 2007. Two of the road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 24,290	23,824	22,769	24,907
General Revenue Fund	281,101	265,321	258,590	290,896
Special Road and Bridge Fund	348,262	341,551	326,320	354,016
Assessment Fund	62,008	59,789	56,565	48,563
Johnson Grass Fund	16,370	23,532	22,589	25,964
Debt Service Fund	3,090	3,234	3,145	3,230
School Districts Fund	3,446,121	3,308,650	3,158,704	3,316,858
Special Road Districts Fund	15,884	15,337	15,265	14,701
Ambulance District Fund	241,414	236,810	226,418	248,139
Fire Protection District Fund	186,287	168,693	161,632	175,385
Senior Citizens Fund	39,407	37,474	0	0
Levee District Fund	77,671	59,521	58,714	59,161
Circuit Court Drainage Fund	170,972	186,520	186,225	199,938
Surtax	129,824	126,796	135,133	195,313
Cities	230,765	229,843	222,059	217,724
County Clerk	753	771	790	789
Tax Sale Surplus Fund	1,483	361	453	304
Tax Maintenance Fund	9,911	9,125	6,405	8,558
County Employees' Retirement	28,153	27,875	20,888	27,797
Commissions and fees:				
General Revenue Fund	80,465	77,256	70,687	79,322
County Collector	7,144	7,108	6,975	7,270
Total	\$ 5,401,375	5,209,391	4,960,326	5,298,835

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
Real estate	94.9	94.4	95.2	95.7 %
Personal property	92.5	90.4	93.2	91.3 %
Railroad and utilities	100.0	99.4	100.0	100.0 %

Holt County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General Revenue	\$.005	None	50	%
Capital Improvement	.005	2015	None	
Road and Bridge	.005	2014	None	
Capital Improvements	.005	2008	None	
Enhanced 911	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Wayne Voltmer, Presiding Commissioner		23,218	23,218	23,218	23,218
Donald Holstine, Associate Commissioner		21,318	21,318	18,904	18,904
Bill Gordon, Associate Commissioner		21,318	21,318	0	0
Laverne Wayne Hall, Associate Commissioner		0	0	18,904	18,904
Sue Kneale, County Clerk		32,300	32,300	32,300	32,300
Robert Shepherd, Prosecuting Attorney		38,950	38,950	38,950	38,950
Kirby Felumb, Sheriff		37,650	3,138	0	0
Terry Edward, Sheriff		0	29,806	34,530	34,530
Anna Lou Doebbeling, County Treasurer (1)		32,300	32,663	32,539	32,525
Terry Anderson, County Coroner		9,025	7,704	0	0
Greg Book, County Coroner		0	0	7,352	0
Charles McComb, County Coroner		0	0	0	7,242
Edward Meng, Public Administrator (2)		17,202	22,753	16,769	22,853
Billy Sharp, County Collector (3), year ended February 28 (29),	40,860	39,408	39,275	39,570	
Carla Markt, County Assessor (4), year ended August 31,		33,166	33,046	31,848	31,848

(1) Includes \$0, \$363, \$239, and \$225, respectively, of commissions earned for handling court order levee districts funds. (Treasurer waived fees in 2006)

(2) Includes fees received from probate cases.

(3) Includes \$7,144, \$7,108, \$6,975, and \$7,270, respectively, of commissions earned for collecting city, levee, and drainage district taxes.

(4) Includes \$688, \$688, \$746 and \$866 respectively, annual compensation received from the state.

State-Paid Officials:

Janice Radley, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,850	47,300
William Richards, Associate Circuit Judge	96,000	96,000	96,000	96,000



Susan Montee, CPA
Missouri State Auditor

Twenty-Sixth Judicial Circuit

Camden County



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Missouri State Auditor
Susan Montee, CPA

April 2008

The following findings were noted as a result of an audit conducted by our office of the Twenty-Sixth Judicial Circuit, Camden County, Missouri.

At December 31, 2007, the Circuit Clerk's checking accounts had 340 outstanding checks, totaling \$25,424, that were over a year old, with some of the checks issued as far back as 1993. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. Undistributed monies should be disposed of in accordance with state law.

The Circuit Clerk has four old checking accounts with minimal activity. These accounts had balances totaling \$49,178 at December 31, 2007. The clerk also had four CDs totaling \$237,438 at December 31, 2007, that consisted primarily of interest income and monies not identified to specific cases. The Circuit Clerk should attempt to identify the funds held in the old checking accounts and CDs. Any amounts identified should be disbursed, while unidentified funds should be disposed of in accordance with state law, and the old bank accounts should be closed.

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YELLOW SHEET

TWENTY-SIXTH JUDICIAL CIRCUIT
CAMDEN COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk of the
Twenty-Sixth Judicial Circuit
Camden County, Missouri

We have audited certain operations of the Twenty-Sixth Judicial Circuit, Camden County. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the judicial circuit has adequate internal controls over significant financial functions such as receipts.
2. Determine if the judicial circuit has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management, the Office of State Courts Administrator, and Camden County and was not subjected to the procedures applied in our audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Twenty-Sixth Judicial Circuit, Camden County.

A handwritten signature in black ink, appearing to read "Susan Montee", is centered on the page.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-SIXTH JUDICIAL CIRCUIT
CAMDEN COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Circuit Clerk's Controls and Procedures
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The Circuit Clerk has not established procedures to routinely follow-up on old outstanding checks and has several old checking accounts and certificates of deposit (CD) that should be closed.

- A. At December 31, 2007, the Circuit Clerk's accounts had 340 outstanding checks, totaling \$25,424, that were over a year old, as follows:

Account Name	Number of Checks	Amount of Checks Outstanding
Justice Information System (JIS)	24	\$ 2,519
Circuit Clerk	99	8,967
Associate Circuit Clerk	205	12,583
Old JIS Account	10	1,288
Probate Account	2	67
Total	340	\$ 25,424

Some of the checks were issued as far back as 1993. Court personnel indicated many of the checks have remained outstanding because new addresses cannot be located for the payees. Most of the outstanding checks were issued on old checking accounts that should be closed (see Part B).

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

- B. The Circuit Clerk has four old checking accounts with minimal activity which had balances totaling \$49,178 at December 31, 2007. The clerk also had four CDs which had balances totaling \$237,438 at December 31, 2007, that consisted primarily of interest income and monies not identified to specific cases.

The court adopted the state's JIS accounting system in November 2005. At that time, a new checking account was opened to handle court transactions; however, this checking account is no longer used and had a balance of \$100 at December 31, 2007. The checking account that is currently used was opened in July 2006. Prior to adopting the JIS system, the court had separate checking

accounts for the Circuit Clerk, Associate Circuit Clerk, and Probate Division, which remain open but are rarely used. Of the combined balances of these three accounts of \$49,078 at December 31, 2007, the court has identified \$5,576 as interest income and the remaining \$43,502 has not been identified to specific cases. Interest income is usually spent on court-related expenses at the direction of the Presiding Circuit Judge.

In addition, the court has funds in three CDs which have not been identified to specific cases. A fourth CD is identified to a specific case but the CD principal balance has been distributed and the remaining balance of \$162 at December 31, 2007, consists of interest income. Current court personnel indicated the former Circuit Clerk placed monies in CDs when there were excess funds in the checking account which would not be paid out within six months; however, no documentation was maintained to identify the funds placed in the CDs to specific cases. As of December 31, 2007, the funds in CDs totaling \$237,438, consisted of \$48,123 in accumulated interest and \$189,315 which is not case specific.

Old inactive accounts increase the required bookkeeping duties, putting a greater burden on limited resources. The Circuit Clerk should attempt to identify the funds held in the old checking accounts and CDs, and, if possible, disburse the amounts identified. Any funds that cannot be identified should be disposed of in accordance with state law and the old bank accounts should be closed.

WE RECOMMEND the Circuit Clerk:

- A. Adopt procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- B. Attempt to identify and distribute the funds held in the old checking accounts and CDs, dispose of any unclaimed or unidentified funds in accordance with state law, and close the old bank accounts.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *My previous chief deputy resolved all of the outstanding checks and turned over to unclaimed fees what she could get to prior to us going on the JIS state system. She left here shortly after we went on JIS, at the end of April 2006. It is impossible for my current bookkeeper to do her full-time job and resolve these outstanding check issues, so I am in the process of applying to the Office of State Courts Administrator for a special projects person to come and get these older checks cleared up.*
- B. *The money in the old bank accounts belong to files that are still in our old accounting program. When the state installed JIS, they disabled the old accounting program and we*

are not able to access it at all. We have a call into the computer programmer who wrote the old program. Even though he no longer works for the company he was with, he is going to come by and see if he can at least get the report we need out of the program. Then we will pull the files in question and get them to a judge to see if he will order that the money be paid out.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-SIXTH JUDICIAL CIRCUIT
CAMDEN COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Twenty-Sixth Judicial Circuit consists of Camden County as well as Laclede, Miller, Moniteau, and Morgan counties.

The Twenty-Sixth Judicial Circuit consists of two circuit judges and seven associate circuit judges. The circuit judges hear cases throughout the circuit. One circuit judge serves as the presiding circuit judge on a rotating basis and is responsible for the administration of the circuit. Of the seven associate circuit judges, two are located in Camden County and hear cases primarily in the county. Of the other five associate circuit judges, two are located in Laclede County and one each are located in Miller, Moniteau, and Morgan counties.

In addition to the judges, the Twenty-Sixth Judicial Circuit, Camden County personnel include a circuit clerk, nineteen deputy clerks (one of which also serves as the presiding judge's secretary), two court reporters, one chief juvenile officer, three deputy juvenile officers, and two support staff. The circuit personnel for the other counties within the circuit are reported on separately.

Operating Costs

The salaries of the judges, circuit clerk, twelve deputy clerks, court reporters, and chief juvenile officer are paid by the State of Missouri. Operating costs of the juvenile office, court reporters, and circuit judges, and salaries of the remaining juvenile office personnel are paid by the counties within the Twenty-Sixth Judicial Circuit. Other court operating costs and salaries for seven deputy clerks are paid by Camden County.

Receipts

Receipts of the Twenty-Sixth Judicial Circuit, Camden County, were as follows:

	Year Ended December 31,	
	2007	2006
Court deposits, fees, bonds, and other	\$ 12,517,003	3,797,003
Interest income	18,005	4,076
Total	\$ <u>12,535,008</u>	<u>3,801,079</u>

Caseload and Time Standards Statistics

From the Office of State Courts Administrator Missouri Judicial Reports, caseload statistics of the filings and dispositions of the Twenty-Sixth Judicial Circuit, Camden County, were as follows:

	2007		2006	
	Filings	Dispositions	Filings	Dispositions
Civil	2,653	2,667	2,331	2,180
Criminal	2,897	2,789	3,289	3,192
Juvenile	94	85	131	147
Probate	87	90	80	58
Total	5,731	5,631	5,831	5,577

From the Office of State Courts Administrator Missouri Judicial Report for fiscal year 2007, statistics on compliance of the Twenty-Sixth Judicial Circuit, Camden County, with time standards for disposition of certain types of cases were as follows:

Type of Case	Time Standard	Twenty-Sixth Judicial Circuit Camden County	State Total
Circuit Civil	90 % in 18 months	68 %	77 %
	98 % in 24 months	77	88
Domestic Relations	90 % in 8 months	75	84
	98 % in 12 months	84	91
Associate Civil	90 % in 6 months	86	87
	98 % in 12 months	98	97
Circuit Felony	90 % in 8 months	91	81
	98 % in 12 months	95	90
Associate Criminal	90 % in 4 months	84	71
	98 % in 6 months	93	85

Personnel

At December 31, 2007, the judges, Circuit Clerk, and Juvenile Officer of the Twenty-Sixth Judicial Circuit, Camden County, were as follows:

Circuit Judges:

Stanley Moore, Division One (1)

Greg Kays, Division Two, Presiding Judge

Associate Circuit Judges:

Jack A. Bennett, Division Three

Bruce Colyer, Division Four

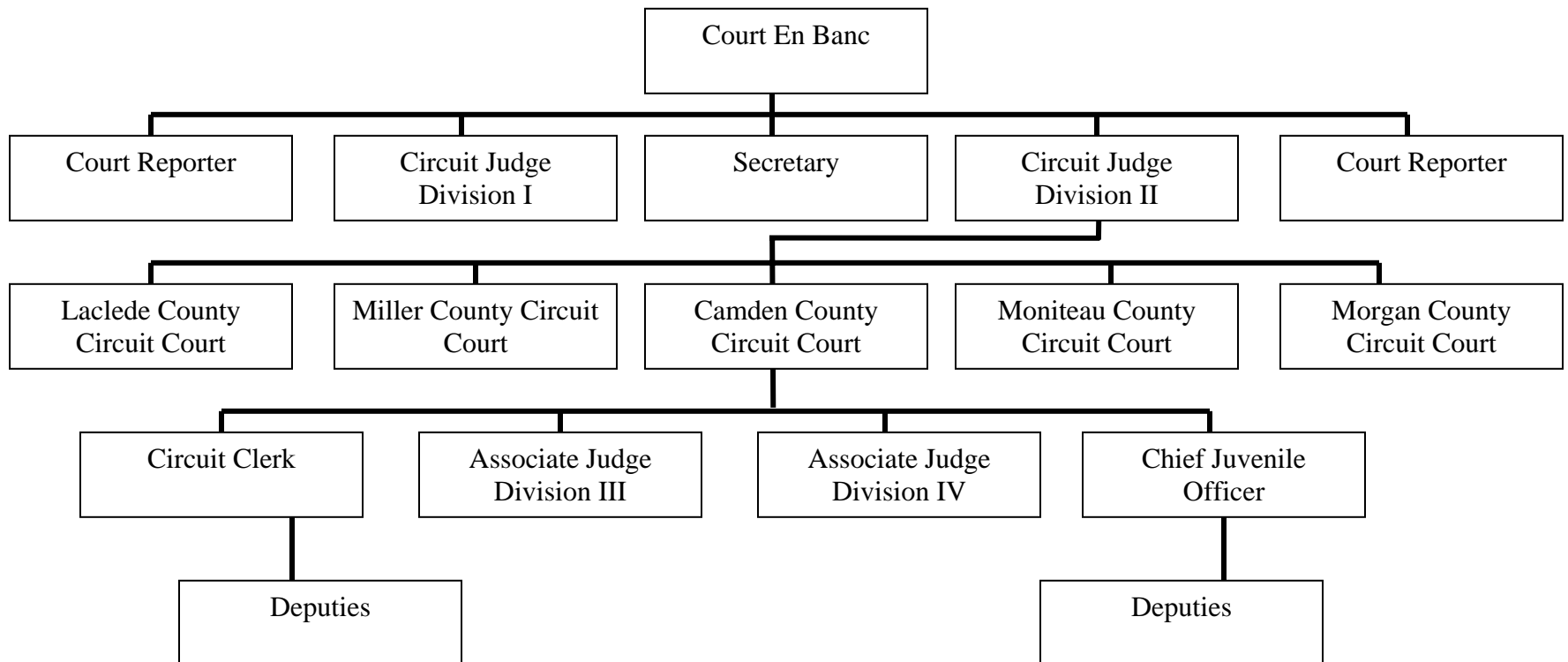
Jo McElwee, Circuit Clerk

Tammy Walden, Juvenile Officer

(1) Replaced James A. Franklin Jr. effective January 1, 2007

An organization chart follows:

TWENTY-SIXTH JUDICIAL CIRCUIT
CAMDEN COUNTY
ORGANIZATION CHART
DECEMBER 31, 2007





Susan Montee, CPA
Missouri State Auditor

NATURAL RESOURCES and OFFICE OF ADMINISTRATION

ANALYSIS OF STATE ENERGY EFFICIENCY PROGRAMS



April 2008
Report No. 2008-25

auditor.mo.gov



Missouri Is Making Efforts to Improve Energy Efficiency, But More Could Be Done

The Department of Natural Resources (DNR) and the Office of Administration (OA) are responsible for implementing the state's energy efficiency programs that impact all state agencies and provide assistance to local governments. Our audit objectives included (1) evaluating program requirements, costs, and results; (2) evaluating how Missouri's programs compare to those in place in other states; and (3) identifying improvements or changes needed in laws that could enhance the state's program efforts.

Not all state universities meeting vehicle purchase requirement	In fiscal year 2006, 4 of the applicable 13 state entities subject to the state's vehicle fleet law did not purchase the required percentage of alternative fuel vehicles. State universities represented all of the non-compliant entities. State law requires 70 percent of all new vehicle purchases by the state to be alternative fuel vehicles starting in 2008. Prior to 2008, the requirement had been 50 percent. (See page 7)
Alternative fuel vehicles placed in areas with no alternative fuel available	Our analysis of fleet vehicle locations at the end of 2007 compared to the location of E85 fueling stations showed 29 percent of E85 state fleet flex-fuel vehicles are located in areas where E85 is not readily available. Some agency officials told us they could not easily shift vehicles between divisions because of appropriation and division limitations. (See page 8)
State building energy efficiency improved	Missouri has similar energy efficiency programs to other states but differs in that Missouri's programs are part of OA practices and not codified by state law or Executive Order. Twenty-seven states have mandatory goals to reduce energy consumption within state office buildings. Missouri has a goal to reduce energy use by 15 percent, but the goal is not mandatory. Energy savings contracts have been implemented for 14 million square feet of the total 20 million square feet of state-owned office space. OA projected annual saving of \$15.5 million on 5 completed or nearly complete improvement projects. (See page 10)
State not requiring Energy Star® for procurement	Missouri does not require the purchase of Energy Star® rated equipment or appliances by state agencies resulting in potentially higher energy costs. Twenty-seven other states have laws that require or encourage the use of Energy Star® rated equipment. An OA official said it is up to agency officials if they want to request Energy Star® rated items as part of their purchasing requirements. However, the official said Energy Star® equipment would have to be within comparable prices of other available products and if more expensive would likely not be chosen. Other states evaluate the life-cycle costs of the Energy Star® equipment when evaluating purchasing decisions. (See page 12)

Missouri's renewable resource utility law lags behind other states

Missouri does not require utility companies to produce energy from renewable resources. Instead, a 2007 state law only encourages Missouri utility companies to make a good faith effort to generate sufficient energy from renewable technologies. As of August 2007, 25 states including Minnesota, Illinois, Wisconsin, Texas, California, and Vermont require their utility companies to meet similar goals rather than just make an effort to meet them. (See page 13)

Loan program database needs improvement

DNR's database for its local government Energy Loan program has inconsistent data. DNR personnel told us the database records did not always match loan files because personnel had not consistently entered loan origination fees and construction interest into the database. (See page 13)

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Abbreviations

ASHRAE	American Society of Heating, Refrigerating, and Air Conditioning Engineers, Inc.
CSR	Code of State Regulations
DESE	Department of Elementary and Secondary Education
DNR	Department of Natural Resources
EPAct	Energy Policy Act of 1992
LEED	Leadership in Energy and Environmental Design
OA	Office of Administration
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Larry Schepker, Commissioner
Office of Administration
and
Doyle Childers, Director
Department of Natural Resources
Jefferson City, MO

The Department of Natural Resources (DNR) and the Office of Administration (OA) are responsible for implementing the state's energy efficiency programs which impact all state agencies and provide assistance to local governments. Our audit objectives included (1) evaluating program requirements, costs, and results; (2) evaluating how Missouri's programs compare to those in place in other states; and (3) identifying improvements or changes needed in laws that could enhance the state's program efforts.

Missouri has established standards for state agency use of alternative fleet vehicles and alternative fuels, but the requirements are not being fully met. This situation exists because (1) some universities do not meet the fleet requirements, (2) the state's alternative fuel law has a relatively easy exception that helps the state meet the established requirement, (3) alternative fuel vehicles are not always in locations where the fuel is available, (4) agency best practices are not communicated statewide, and (5) agency alternative fuel plans are outdated. The state's continued usage of a Biodiesel Revolving Fund needs to be evaluated along with the sale process for EPA credits.

Missouri is making efforts to improve the energy efficiency of its state buildings and encourage local utilities to use more renewable energy sources, but these efforts do not include some programs being used in other states and are not always mandatory or specifically established in state law or Executive Order. In addition, the state's Energy Loan Program for local governments has been successful, but improvements in tracking the programs financial activity and survey results would benefit the program.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel. Key contributors to this report included Jon Halwes, Kelly Davis, Dana Wansing, Ryan Redel, and Darius Dashtaki.

A handwritten signature in black ink, reading "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

DNR and OA Use Various Programs to Improve Energy Efficiency

The Department of Natural Resources (DNR) Energy Center and Office of Administration (OA) oversee various programs related to improving the efficiency of energy usage in the state and promoting energy efficient alternatives. Each agency has certain statutory responsibilities to promote energy efficiency.

Alternative fuel vehicle purchases and fuel requirements

The General Assembly passed laws in the 1990s to reduce fuel consumption by state fleet vehicles, improve fleet management and promote the use of alternative fuels¹ in state fleet vehicles. State law required 50 percent of the state fleet vehicles purchased after fiscal year 2000 to be alternative fuel vehicles.² This requirement increased to 70 percent beginning January 1, 2008.³ In addition, state law requires 30 percent of state fuel purchases be alternative fuels. These programs apply to all non-exempt⁴ vehicles purchased with state funding including vehicles purchased by the state universities.⁵

In conjunction with these laws, state agencies and universities are required to submit fuel energy conservation plans to DNR. Each state agency provides the Energy Center with an annual report showing its progress towards the vehicle fleet energy conservation goals and fuel usage requirements. The Energy Center reports this information in an annual report to the General Assembly. The Energy Center is also responsible for promoting the use of alternative fuel vehicles and alternative fuels in fleet vehicles.

State energy program

DNR administers the federally funded State Energy Program that provides grants to fund state plan programs submitted to and approved by the federal Department of Energy. The federal goals of the Energy Program are (1) promote energy efficiency and diverse energy supplies to improve energy and economic security and protect the environment, (2) to advocate decisions that benefit Missouri by advancing energy efficiency, and (3) a

¹ Alternative fuel is defined in Section 414.400, RSMo, as any fuel the United States Department of Energy (DOE) determines by final rule is substantially not petroleum and would yield substantial energy security and environmental benefits including alcohol fuel containing 85 percent or more of such alcohol (E85), other alcohol derived fuel, hydrogen, and electricity if included by the Department of Energy in final rules.

² Section 414.410, RSMo.

³ Section 37.455, RSMo.

⁴ Exempt vehicles are defined as vehicles with special purposes such as law enforcement, medical purposes, and off-road vehicles. Vehicles over 8,500 gross vehicle weight are also considered exempt vehicles.

⁵ Section 414.400.2, RSMo.

national 25 percent improvement in energy efficiency by 2012 (compared to 1990 levels).

State building energy efficiency

OA Division of Facilities Management oversees various projects designed to improve energy efficiency in state-owned buildings and reduce energy costs for the state. Since 2004, state law⁶ requires OA to develop a statewide plan of energy conservation and cost savings for the buildings and facilities of the state. The plan shall be designed to implement energy conservation and cost savings on a cost-effective basis. Part of this process began in 2004, with a performance contract for two state buildings. OA's goal is to reduce energy consumption in all climate controlled facilities by an average of 15 percent⁷ by 2010, relative to fiscal year 2005 levels.

To achieve this goal OA implemented several types of projects including the performance contract, in-house initiatives, and statewide energy management initiatives. OA in-house initiatives include projects such as switching Department of Corrections laundries to ozone based cleaners which allow cold water washing, establishing building cooling and heating season temperature settings, and implementing a statewide maintenance program. Energy management initiatives include integrated energy management software that allows OA to track energy use and savings throughout the state.

State law⁸ also requires the Energy Center analyze all state buildings for energy efficiency. DNR received funding from 1995 to 1999 to review and create efficiency studies of state buildings; however, DNR officials said the work stopped when the General Assembly discontinued providing funding.

Biodiesel Revolving Fund

In 2001, the General Assembly created the Biodiesel Revolving Fund, which is funded by proceeds from the sale of alternative fuel vehicle (EPAct⁹) credits earned by state agencies. Agencies that earn excess EPAct credits through the purchase of alternative fuel vehicles in excess of federal requirements are allowed to sell these credits to other entities. DNR is

⁶ Section 8.237, RSMo.

⁷ Based on the engineering calculation per square foot per degree.

⁸ Section 8.817, RSMo.

⁹ The Energy Policy Act of 1992 (EPAct) requires state government entities who maintain vehicle fleets of 50 or more light duty vehicles with 20 or more of those vehicles located in major metropolitan areas to comply with alternative fuel vehicle purchasing requirements. In Missouri, the act currently applies to the Departments of Corrections, Social Services, Mental Health, Natural Resources, and Transportation, and the Universities of Missouri St. Louis and Kansas City.

responsible for any credit sales. Currently the department utilizes a broker to sell the credits.

As state agencies use biodiesel they may receive reimbursements for the incremental costs of biodiesel over regular diesel out of the revolving fund. Since inception only the Departments of Transportation and Corrections, and DNR claimed reimbursement from the fund.

Energy loan program

The Energy Center, through the Energy Loan Program, provides low-interest loans to public schools, universities, colleges, cities, counties, public hospitals, and public water treatment plants to fund projects to help reduce energy costs. Schools and local governments typically apply for loans to finance lighting upgrades and heating and cooling upgrades. Loans are to be repaid by the local governments from the energy savings gained by the energy efficient project. In 2007, interest rates for loans varied between 3.75 percent and 4.15 percent depending on the payback period (longer payback periods have higher interest rates). In addition, a 1 percent loan origination fee is charged for each loan to offset administration costs for the loan. The program has not had any loan defaults since program inception.

The program began in 1989 and has been funded since 2002 with a series of bond issuances. Since its inception, the department has approved 448 loans totaling \$78 million. The department approves an average of 24 loans per year. In fiscal year 2007, DNR approved loans totaling \$4.3 million.

Scope and Methodology

To determine the requirements of the various energy efficiency programs, we reviewed federal and state laws and regulations, and related DNR procedure manuals. We discussed program procedures and internal controls with DNR and OA personnel.

To determine the programs funded with State Energy Program federal grants, we discussed the programs with Energy Center personnel. In addition, we discussed one special project with the grant recipient. To compare the programs identified with programs funded by other states, we contacted energy department personnel from other states. We noted no problems with the State Energy Program federal grants.

To determine the procedures and practices of other states related to energy efficiency of state buildings, alternative vehicle and fuel use, EPA credit sales, and low-interest loan programs, we performed Internet research on programs available in other states and contacted applicable personnel in those states to obtain more details and clarify information about the programs.

To determine trends in alternative fuel vehicle purchasing and alternative fuel usage, we reviewed the fiscal year 2005 and 2006¹⁰ Alternative Fuel Reports produced by DNR. We contacted representatives of various agencies to evaluate the success or failure the agencies had in meeting the vehicle and fuel requirements. We also discussed with agency fleet representatives procedures used to encourage alternative fuel usage.

To determine if agencies placed purchased alternative fuel vehicles in areas where alternative fuel is available, we compared a report of the locations of state fleet vehicles as of January 2008 from all agencies that report fleet data to OA to a listing of all E85¹¹ fueling stations in the state as of December 2007.

To determine the use of the Biodiesel Revolving Fund, we reviewed the fluctuations in the fund balance for fiscal year 2006 and 2007. We discussed the reasons for fluctuations with DNR personnel. We also contacted various applicable agencies to discuss use of the program.

To determine the number of outstanding EPAct credits banked by state agencies, we contacted the five agencies subject to EPAct requirements to determine the agency's credit balance as of the end of 2007. In addition, to evaluate DNR's handling of biodiesel fund reimbursements and EPAct credit sales, we reviewed supporting documentation for reimbursements made in fiscal years 2006 and 2007, and sales made in 2007.

To evaluate DNR's selection and monitoring procedures for the Energy Loan Program, we reviewed program files of current and closed projects including DNR satisfaction surveys. To evaluate DNR's tracking of loan data, we compared loan file information to data maintained on the Energy Loan Program database.

To evaluate recipients' satisfaction with the loan program we contacted past and current loan recipients. We discussed their use of the loan funding, experience with DNR personnel and the loan program, and satisfaction with the results of energy efficient installations. We also visited one school district to discuss these areas and view the energy efficiency upgrades.

¹⁰ The fiscal year 2007 report is due in 2008. The report was not available to review as of the end of fieldwork.

¹¹ E85 is an alcohol fuel mixture that typically contains a mixture of up to 85 percent denatured fuel ethanol and gasoline or other hydrocarbon by volume.

Missouri Is Making Efforts to Improve Energy Efficiency, But More Could Be Done

Missouri has established standards for state agency use of alternative fleet vehicles and alternative fuels, but the requirements are not being fully met. This situation exists because (1) some universities do not meet the fleet requirements, (2) the state's fuel law has a relatively easy exception that helps the state achieve the established requirement, (3) alternative fuel vehicles are not always in locations where the fuel is available, (4) agency best practices are not communicated statewide, and (5) agency alternative fuel plans are outdated. The state's continued usage of a Biodiesel Revolving Fund needs to be evaluated along with the sale process for EPA credits.

Missouri is making efforts to improve the energy efficiency of its state buildings and encourage local utilities to use more renewable energy sources, but these efforts do not include some programs being used in other states and are not always mandatory or specifically established in state law or Executive Order. In addition, the state's Energy Loan Program for local governments has been successful, but improvements in tracking the program's financial activity and survey results would benefit the program.

Not All State Universities Meeting Vehicle Purchase Requirement

In fiscal year 2006, 4 of the applicable 13 state entities subject to the state's vehicle fleet law did not purchase the required percentage of alternative fuel vehicles. State universities (Missouri State University, Northwest Missouri State University, Southeast Missouri State University, and the University of Missouri) represented all of the non-compliant entities. DNR officials stated it is harder to make universities comply with purchasing requirements because they make their own purchasing decisions and DNR has no disciplinary power. State law¹² requires 70 percent of all new vehicle purchases by the state to be alternative fuel vehicles starting in 2008. Prior to 2008, the requirement had been 50 percent.¹³ The law has no penalty for noncompliance.

Representatives from one university told us they were not purchasing alternative fuel vehicles because the fuel had not been available in their area. One university representative said his school purchased vehicles from federal surplus property and only purchased alternative fuel vehicles when available from this source.

¹² Section 37.455, RSMo.

¹³ Section 414.410, RSMo.

Exception allows state to meet goal for alternative fuel purchases

Most state agencies are not meeting the statutorily¹⁴ required 30 percent alternative fuel purchasing requirement. Eighteen of the 21¹⁵ applicable agencies did not meet the purchasing requirement when fuel purchases for non-exempt vehicles were not included in the calculations. The state had an overall alternative fuel purchasing percentage of 18 percent in fiscal year 2006 for non-exempt vehicles.

State law allows alternative fuel purchases for exempt vehicles to be included in the calculation when evaluating the state's compliance with the 30 percent goal. When these amounts are included the state exceeds 30 percent in alternative fuel purchases. We reviewed the alternative fuel requirements for all states that included a specific fuel purchasing requirement and found no other states that allow a similar inclusion of exempt vehicle fuel purchases to achieve stated goals.

Alternative fuel vehicles placed in areas with no alternative fuel available

State agency fleet managers told us less alternative fuel had been purchased than possible because alternative fuel vehicles had been placed in areas where alternative fuels are not available. Our analysis of fleet vehicle locations at the end of 2007 compared to the location of E85 fueling stations showed 29 percent of E85 state fleet flex-fuel vehicles are located in areas where E85 is not readily available. These agencies had regular fuel fleet vehicles domiciled in areas with E85 availability.

Some agency officials told us they could not easily shift vehicles between divisions because of appropriation and division limitations. The Department of Agriculture fleet manager said his department tries to relocate vehicles as much as possible to ensure E85 vehicles are located in areas where E85 is available.

Some agencies developed their own best practices to encourage alternative fuel usage

Some state agencies are meeting the state's alternative fuel goals or increasing alternative fuel usage through the use of various best practices to promote alternative fuel usage. State agencies are using the following best practices as ways to remind employees to use alternative fuels when available:

- The Department of Agriculture, Department of Revenue, and OA send emails to employees and/or fleet managers informing them of new E85 stations.

¹⁴ Section 414.400, RSMo.

¹⁵ The Department of Labor and Industrial Relations, Department of Transportation, and OA met the fuel usage requirement.

-
- The Departments of Higher Education and Elementary and Secondary Education (DESE) keep lists of E85 station locations in each flex-fuel vehicle.
 - DESE also places E85 stickers in vehicle logbooks to remind users to purchase E85.
 - DNR, internally, places packets in fleet vehicles that identify vehicles as alternative fuel vehicles and include lists of alternative fuel stations. In addition, employees receive announcements of new E85 stations on the DNR intranet.

On a statewide basis, DNR promotes alternative fuels by organizing fleet managers' workshops, on-site demonstrations at various state agencies, emailing fleet managers about E85, and distributing hang tags and fuel door magnets to remind users they are driving alternative fuel vehicles.

Agencies do not have updated alternative fuel plans on file nor has DNR updated guidance

State agencies have either not created or not regularly updated alternative fuel plans since first required in 1993. Most plans are brief with only a one page bullet list of goals and accomplishments. We reviewed all state agencies' alternative fuel fleet plans on file with DNR and found of the 29 entities required to submit reports:

- 4 did not have plans on file with DNR
- 17 had not updated their plans since 1995
- 6 agencies last updated their plans in 2002
- Only 1 agency had updated its plan since 2002

State law¹⁶ requires agencies to develop and submit a plan to DNR on how the agency will reduce fuel consumption and increase use of alternative fuels. The General Assembly passed this law in 1991 and updated it in 1998. The law does not require agencies to update these plans. We contacted current agency fleet managers at nine agencies, and only the Department of Conservation fleet manager had been aware his agency had an alternative fuel vehicle plan on file with DNR. Conservation is also the only agency that has updated its plan since 2002.

DNR sample plan not updated

DNR has not updated its sample alternative fuel plan and agency guidance since 2002. State law requires DNR to update the sample plan every 2 years. An Energy Center official said the plan had not been updated because no changes occurred in regulations or requirements. The official said the

¹⁶ Section 414.403, RSMo.

department planned to update the guidance in 2008 based on changes in federal regulations and state law.

The State's Biodiesel Revolving Fund May Not Be Needed

Missouri is one of only three states that utilize a biodiesel revolving fund. Other states allow state agencies to sell EPEAT credits directly and fund individual programs or provide general operating funding rather than fund biodiesel exclusively. Currently, Missouri incurs a 10 percent charge on credits sold and has paid \$24,810 in fees¹⁷ for all sold credits since inception of the program. Sources are available through the federal Department of Energy's website for states to advertise and sell credits without incurring brokerage costs. A North Carolina official told us her state stopped using the same broker Missouri uses in 2007 and began selling credits with the help of the federal website. Iowa also sells credits without a broker. The Iowa fleet manager told us his recent sale prices were similar to the prices the broker achieved for Missouri.

Federal changes impact market for the credits

Changes in federal regulations and the reduction in the incremental cost of biodiesel over regular diesel fuels have also caused less demand for EPEAT credits and made the fund less useful to state agencies. In 2007, the federal Department of Energy changed EPEAT regulations eliminating the alternative fuel vehicle purchasing requirement for private entities and local governments. DNR officials said this change has resulted in and will result in less demand for credits being sold, and as a result less revenue for the Biodiesel Revolving Fund. An agency fleet manager told us there is little difference in the incremental cost of biodiesel in recent years making it less worthwhile to even complete the paperwork necessary to obtain reimbursement from the revolving fund.

State Building Energy Efficiency Improved

Missouri's program to improve the energy efficiency of state buildings is as good or better than some states, but is behind efforts in other states. We compared Missouri's energy efficiency programs for state buildings to similar programs in other states. We found, overall, Missouri has similar programs to many states but differs in that Missouri's programs are part of OA practices and not codified by state law or Executive Order. We found:

- 27 states have mandatory goals to reduce energy consumption within state office buildings. Missouri has a goal to reduce energy use by 15 percent, but the goal is not mandatory. The Governor's Energy Policy Council developed the goal but it is not established by law.

¹⁷ Total fees paid are based on a 5 percent commission. Effective January 2, 2008 the commission rate increased to 10 percent.

- 23 states require Leadership in Energy and Environmental Design (LEED) Green Building¹⁸ or Energy Star®¹⁹ Certification for newly constructed buildings. OA officials stated they plan to use Energy Star® standards for new building construction; however, neither this standard nor any other recent certification standard is included in state law for state building construction. A 1993 state law required, effective January 1, 1995, state building energy efficiency standards be at least as stringent as American Society of Heating, Refrigerating, and Air Conditioning Engineers, Inc. (ASHRAE) Standard 90.²⁰ LEED and Energy Star certification cover more energy efficiency issues than the ASHRAE standard.

Savings achieved

OA has implemented several programs in-house and through the use of contractors to meet energy savings goals. Missouri like 43 other states has implemented the use of energy savings performance contracts. These contracts are agreements between the state and contractors to perform energy audits and install agreed upon energy conservation measures. The contractor guarantees energy savings from the installations and any energy savings that are not realized are refunded to the state. Energy savings contracts have been implemented for 14 million square feet of the total 20 million square feet of state-owned office space. Other buildings are currently undergoing energy savings projects.

Table 2.1 shows the energy savings programs completed or in process as of the end of 2007 and OA's calculated savings:

Table 2.1: Annual Energy Savings from OA State Building Energy Initiatives

Initiative	Area or Department	Annual Savings
Performance Contract	Statewide	\$10,210,232
Transported Natural Gas Purchases	Statewide	1,900,000
Laundry System Change	Corrections	1,365,875
Steam Trap Maintenance	Statewide	1,900,000
Facility Lighting Replacement	Corrections	143,522
Total		\$15,519,629

Source: OA data.

¹⁸ LEED Green Building Rating System, developed by the U.S. Green Building Council, provides a set of standards for environmentally sustainable construction.

¹⁹ Energy Star® is a national labeling program developed by the federal Environmental Protection Agency to identify and promote energy efficient products.

²⁰ Section 8.812, RSMo and 10 CSR 140-7.010 require all new state building construction and major renovations comply with the ASHRAE 90.1 and 90.2 Energy Efficiency Design of New Buildings Except Low-Rise Residential Buildings standard.

State not requiring
Energy Star® for
procurement

Missouri does not require the purchase of Energy Star® rated equipment or appliances by state agencies resulting in potentially higher energy costs. Twenty-seven other states have laws that require or encourage the use of Energy Star® rated equipment. In Massachusetts, officials estimate they saved \$269,000 in energy costs from the purchase of Energy Star® rated office equipment in one year. They expect to save \$1.3 million over the 5 year life of the products. The state achieved this savings with the purchase of 19,920 fax machines, copiers, monitors and computers.

The Energy Center has made efforts to improve the state's purchasing of Energy Star® equipment, but no statutory changes have occurred. An Energy Center official said the department has tried to encourage OA to include more Energy Star® rated items on the state contracts. An OA official said it is up to agency officials if they want to request Energy Star® rated items as part of their purchasing requirements. However, the official said Energy Star® equipment would have to be within comparable prices of other available products and if more expensive would likely not be chosen. Other states evaluate the life-cycle costs of the Energy Star® equipment when evaluating purchasing decisions.

A report by the Consortium for Energy Efficiency²¹ states the overall life-cycle costs (including energy consumption) of Energy Star® equipment can be less than non-Energy Star® equipment. The study states a key component of a successful energy efficiency purchasing program is a statute requiring energy efficiency purchasing because it helps legitimize and enforce the program.

State building laws
are redundant

Redundant state laws²² currently require the DNR Energy Center and the OA to manage the energy efficiency of state buildings. The Energy Center discontinued its work with state buildings in the late 1990s. Energy Center officials said work ceased because funding stopped and recommendations had not been implemented. In 2004, the General Assembly passed new legislation that gave OA the responsibility to improve the energy efficiency of state buildings, but did not eliminate the requirements for DNR. OA now oversees energy efficiency projects for state-owned buildings.

²¹ Harris, Jeffrey, et al, "Energy-Efficient Purchasing by State and Local Government: Triggering a Landslide down the Slippery Slope to Market Transformation," 2004, http://www.cee1.org/gov/purch/2004_purchasing.pdf, accessed on December 18, 2007.

²² Sections 8.237 and 8.817, RSMo.

Missouri's Renewable Resource Utility Law Lags Behind Other States

Missouri does not require utility companies to produce energy from renewable resources. Instead, a 2007 state law²³ only encourages Missouri utility companies to make a good faith effort to generate sufficient energy from renewable technologies. The goal is that by 2012, 4 percent of total retail electric sales by electric corporations are generated by renewable technologies; this goal is increased to 8 percent by 2015, and 11 percent by 2020. As of August 2007, 25 states including Minnesota, Illinois, Wisconsin, Texas, California, and Vermont require their utility companies to meet similar goals rather than just make an effort to meet them. In August 2007, only one other state (Virginia) with a renewable resource law had voluntary renewable energy requirements for utilities.

Loan Program Database Needs Improvement

DNR's Energy Loan Program database has inconsistent data. Personnel entered data into the database in varying ways causing loan information to not always be comparable. We compared energy loan file information to loan data maintained in the database and found inconsistencies.

Energy Center personnel told us the database records do not always match loan files because 1 percent loan origination fees had not been consistently entered into the database. Energy Center personnel also said database procedures had not been updated when the loan origination fee began in 2002. In addition, the database procedures do not address how construction interest should be documented in the database resulting in staff using various methods. The Energy Loan Program database is used for reporting loan information to the public, General Assembly and as part of the department's budget.

Loan Program Surveys Not Tracked

DNR sends out and receives satisfaction surveys to loan recipients upon completion of their loans, but does not track responses in a centralized database. Program procedures require each loan recipient receive a survey with data from returned forms to be entered into a tracking system. An Energy Center official said staff stopped compiling survey information in 2005 when DNR eliminated using the tracking system. The official said the surveys are now only reviewed and filed in individual loan files.

Our review of filed survey responses indicated some loan recipients did not realize a loan origination fee applied to their loans. Loan recipients said the information had not been communicated during discussions about the loan process. An Energy Center official said the information had been included in loan paperwork, and staff informed the concerned recipients where the information could be found.

²³ Section 393.1020, RSMo.

We also surveyed 24 loan recipients and found local officials pleased with their program results and would use the program again. Some of the recipients specifically tracked energy costs after completion of the improvement project and found significant energy savings.

Conclusions

Some state entities are not meeting state alternative vehicle purchase requirements, but the state law does not provide for any penalty for non-compliance. As a result, there is less incentive for each entity to meet the requirements. In addition, the majority of state agencies are not individually meeting the state's alternative fuel usage requirements, but overall state compliance is achieved because the state's law allows exempt vehicle alternative fuel usage to be counted towards compliance. The exception essentially guarantees overall compliance, but provides less incentive for agencies to meet the required goal. The General Assembly needs to evaluate the continued use of the exception.

In addition, alternative fuel vehicles are being placed in areas where such fuels are not available. As a result, alternative fuel purchases are further reduced. Vehicles should be placed in areas where alternative fuel usage can be maximized if that was the intent of purchasing the vehicle.

Some state agencies have created procedures to promote alternative fuel usage in their fleets. These practices are not used consistently in all state agencies. DNR should research the best practices being used and provide the information to all agencies as part of its current education and awareness programs.

Most state agencies have not updated their alternative fuel plans since 1995 or did not create one. This problem occurred because state law does not require agencies to update plans and many fleet managers are not aware their agencies ever created plans. In addition, DNR had not updated every 2 years the guidance provided state agencies on alternative fuel plans as statutorily required. As a result, agency plans are outdated and do not reflect current technologies. DNR should update agency guidance and request agencies provide updated fuel plans.

Few states have established biodiesel revolving funds and 2007 federal regulation changes and the reduction in cost of biodiesel fuel make it less likely the Missouri's fund is still needed. DNR staff should evaluate whether maintaining such a fund is cost-effective and necessary for the state and make recommendation for any needed changes to the General Assembly.

In addition, the state's use of a broker to sell EPA credits which fund the Biodiesel Revolving Fund may no longer be needed. Other states sell the

credits without the use of a broker. The current broker commission of 10 percent doubled from the previous contract. DNR staff needs to evaluate if more cost-effective options are available if the state continues to sell EPAct credits.

Missouri is making efforts to improve the energy efficiency of its state buildings and encourage local utilities to use more renewable energy sources, but these efforts do not include some programs being used in other states and are not always mandatory or specifically established in state law. Establishing and/or updating laws covering expected energy savings, and energy efficiency building standards for state building would help ensure consistency in those efforts. The current law requiring utilities make a good faith effort to meet power generation goals from renewable technology is behind other state's mandatory requirements in this area and provides less chance for goal achievement.

Missouri law does not require state agencies include Energy Star® rated equipment or appliances in bid proposals and evaluate costs on product life cycles. A majority of states currently require purchasing decisions include Energy Star® options. The General Assembly should consider including energy efficiency standards such as Energy Star® as a requirement of state procurement guidelines to ensure the state is maximizing its energy efficiency efforts.

Redundant state laws currently require both OA and DNR manage and evaluate the energy efficiency of state buildings. The General Assembly should repeal applicable laws to reflect the current responsibilities regarding state building energy efficiency.

Energy Center staff has not consistently tracked fees and interest payments in the Energy Loan Program database. Consistent recordkeeping is necessary to ensure information generated from the database accurately reports program results. Data for open loans should be updated to ensure consistent results are reported.

Loan program survey responses are no longer tracked. Survey results showed some recipients expressed concerns over charges they did not understand. Schools and local governments need a clear understanding of program costs to insure proper budgeting and funding for projects. Consistent tracking of loan recipient survey responses is necessary to ensure Energy Center staff timely address potential problems and identify trends which may not be apparent from a single survey.

Recommendations

We recommend the General Assembly:

- 2.1 Consider changes to the state's alternative fuel and fuel vehicle purchasing laws which may include:
 - Establishing penalties for agency noncompliance
 - Removing the consideration of exempt vehicle alternative fuel purchases in the compliance computation
 - Amending Section 414.403, RSMo, to require state agencies to periodically update their alternative fuel plans
 - Evaluating the need for the Biodiesel Revolving Fund
- 2.2 Establish laws requiring OA and state agencies include Energy Star® rated office equipment and appliances in bidding proposals and include life-cycle cost analysis as part of the purchasing decision.
- 2.3 Establish or modify laws to require a specific percentage reduction in energy use by state buildings and require achievement of specific standards for new state building construction.
- 2.4 Eliminate redundancy in current law regarding OA and DNR responsibilities for state energy efficiency programs.
- 2.5 Evaluate whether Section 393.1020, RSMo, needs to require utility compliance with renewable technology generation goals rather than require a good faith effort.

We recommend the Department of Natural Resources and Office of Administration:

- 2.6 Provide information to state agencies on alternative fuel vehicles located in areas without such fuel availability so vehicles could be relocated when possible.
- 2.7 Work with the General Assembly to implement recommendations 2.1 through 2.4, as applicable.

We recommend the Department of Natural Resources:

- 2.8 Update alternative fuel guidance provided to state agencies in compliance with Section 414.403, RSMo. Also request agencies periodically update their alternative fuel plans until the law is changed requiring such updates.

-
- 2.9 Collect and distribute best practices identified to encourage the use of alternative fuels.
 - 2.10 Evaluate if the Biodiesel Revolving Fund continues to be useful for the state and recommend any changes needed to the General Assembly. Also evaluate if more cost-effective options are available if the state continues to sell EPAct credits.
 - 2.11 Ensure fees and interest payments are consistently entered into the Energy Loan Program database and loan procedures are updated to reflect current fees. Correct the database loan information for all active loans.
 - 2.12 Track Energy Loan Program survey responses and use the information to make program changes as needed.

Agency Comments

OA Comments

- 2.1 *The Office of Administration enforces statutory requirements and will continue to do so if the general assembly modifies the alternative fuel vehicle statute.*
- 2.2 *The Office of Administration currently uses the Energy Star Program on many procurements. We shall strive to incorporate Energy Star Program requirements in as many requirement definitions as possible and to eliminate the need for statutory modifications.*
- 2.3 *Energy efficiency is a key component to ensuring the state manages its assets at the lowest possible cost of ownership. OA will continue monitoring Industry Best practices to ensure that the trend of reducing energy consumption in state owned buildings continues.*
- 2.6 *Fleet Management previously provided this information to the Department of Natural Resources and will make this data available to state agencies on an ongoing basis to assist with appropriate relocation of alternative fuel vehicles.*
- 2.7 *The Office of Administration, with the support of the Department of Natural Resources, will provide information and offer recommendations to the General Assembly as it considers the recommendations contained in this report.*

DNR Comments

- 2.6 *The Department of Natural Resources will continue to provide state agencies with frequent information about the locations of fueling stations for alternative fuels. This information is updated frequently as new retail alternative fuel locations appear in Missouri. The department believes state agencies and universities have sufficient information to make decisions about whether vehicles can be relocated to maximize the use of alternative fuels. To the extent allowed by existing data and limited staff availability, the department is willing to assist agencies with this comparison.*
- 2.7 *The Department of Natural Resources will bring these legislative topics to the attention of the General Assembly as we have opportunity and will work with members of the General Assembly, as requested, on recommendations 2.1 through 2.4.*
- 2.8 *Each year for the past several years, the department has asked every state agency and university to update its alternative fuel plans. With few exceptions, the agencies and universities have not responded. The department will contact fleet managers or other appropriate management staff and emphasize, to state agencies and universities, the importance of updating their alternative fuel plans. The department will provide updated guidance to state agencies and universities.*
- 2.9 *The Department of Natural Resources concurs and will do so through the annual fleet managers meeting with follow-up mailings to those agencies that do not participate.*
- 2.10 *The Department of Natural Resources concurs and will conduct the evaluation by the end of this calendar year.*
- 2.11 *The department maintains energy loan information on two databases, one identified as the Energy Loan Program and the other as the Energy Loan System. Financial information regarding energy loans, including fees, interest rates and amortization schedules, is maintained in the Energy Loan System. While the department believes that each database contains the information appropriate to each, the Energy Center will review data entry directions and protocols to ensure that information is entered consistently in the future. As staff is available, data from current loans will be reviewed for consistency and modified if appropriate.*

2.12 The Department of Natural Resources staff reads and considers all survey responses and how the responses may help us improve the Energy Loan Program. The department will establish a formal tracking system for survey responses.



Susan Montee, CPA
Missouri State Auditor

Prosecuting Attorney Cole County



April 2008
Report No. 2008-24

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Office of
Missouri State Auditor
Susan Montee, CPA

April 2008

Our office conducted an audit of the Prosecuting Attorney of Cole County, Missouri.

The Prosecuting Attorney collects various fees that are deposited into one of two funds, depending on the type of fee, the Delinquent Tax Fund (DTF) and the Bad Check Fees Fund (BCFF). Both types of fees are to be expended by the Prosecuting Attorney for items related to the operation of his office; however, the disbursement procedures are different for each fund. For the DTF, manual checks, based on check requests prepared by the Prosecuting Attorney's office, are issued by the County Treasurer and then disbursed by the Prosecuting Attorney, while disbursements from the BCFF go through normal county procedures.

During November and December 2006, the former Prosecuting Attorney authorized payments from the DTF totaling \$23,000 to six employees as salary supplements and \$4,000 to one employee as salary. None of these payments were included in the county's payroll records, subjected to payroll tax withholdings, nor reported to the Internal Revenue Service (IRS) on the employees' W-2 forms. Although state law allows DTF monies to be used for salary supplements for existing employees on the staff of the Prosecuting Attorney's office, the majority of these salary supplement payments appear to represent additional compensation for services previously rendered and appear to be in violation of both the Missouri Constitution and an Attorney General's opinion.

Invoices and/or receipts were not submitted nor retained for most purchases on the office credit card. Some of the credit card purchases made by the former Prosecuting Attorney were from local restaurants and grocery stores totaling \$2,659 during 2006 and 2005 (no similar purchases were noted during 2007). The purpose of these food purchases was not always adequately documented.

Some travel expenses were not adequately documented, including reimbursement of \$2,635 to the former Prosecuting Attorney to attend a seminar in Colorado in January 2006, and credit card expenses for a conference in California in 2006 (\$792) and airline tickets to Las Vegas for training in 2007 (\$213).

The former Prosecuting Attorney authorized an expenditure from the DTF of \$23,675 for a vehicle in 2005. Office policy is to purchase equipment on state contracts in lieu of soliciting bids; however, supporting documentation of the contract price was not maintained for this purchase.

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YELLOW SHEET

There was no documentation to support how items purchased by the former Prosecuting Attorney from the DTF for the operations of other county officials' offices complied with state law. These purchases included \$5,147 for computers and software for the County Auditor, \$1,907 for printers for the Public Administrator, \$3,821 for various computer equipment and software for the county's overall computer system, and \$9,845 for legal fees for work performed on behalf of the County Auditor's office. The audit also questioned the legal authority for the transfer of monies to the county's General Revenue Fund.

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PROSECUTING ATTORNEY
COLE COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Mark Richardson, Prosecuting Attorney
Cole County, Missouri

The State Auditor was requested by the Honorable Mark Richardson, Prosecuting Attorney, under Sections 56.312 and 570.120, RSMo, to audit the Delinquent Tax Fund and the Bad Check Fees Fund of Cole County. The scope of this audit included, but was not necessarily limited to the years ended December 31, 2007, 2006, and 2005. The objectives of our audit were to:

1. Review the propriety of disbursements from the Delinquent Tax Fund and the Bad Check Fees Fund.
2. Determine if the Prosecuting Attorney has adequate internal controls over significant financial functions related to the Delinquent Tax Fund and the Bad Check Fees Fund.
3. Determine if the Prosecuting Attorney has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office of the Prosecuting Attorney, as well as other county officials and certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Prosecuting Attorney and Cole County and was not subjected to the procedures applied in our audit of the Prosecuting Attorney.

The accompanying Management Advisory Report presents our findings arising from our audit of the Prosecuting Attorney of Cole County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA
In-Charge Auditor: Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

PROSECUTING ATTORNEY
COLE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Disbursements and Supporting Documentation

The former Prosecuting Attorney authorized the payment of employee salary supplements totaling \$23,000 which may have violated the Missouri Constitution, and these payments along with a \$4,000 salary payment were not subject to payroll withholdings or included on employees' W-2 forms. Invoices/receipts were not submitted or retained for most credit card purchases nor for some travel and training expenses. In addition, sufficient documentation for a vehicle purchased on state contract in lieu of bidding was not maintained. There was no documentation to support how items purchased from the Delinquent Tax Fund for the operations of other county officials' offices complied with state law.

The Prosecuting Attorney assists the Missouri Department of Revenue in the collection of delinquent state taxes, licenses, and fees, and receives collection fees from the state which are deposited into the Delinquent Tax Fund (DTF) as provided by Section 56.312, RSMo. The Prosecuting Attorney also charges administrative handling fees which are deposited into the Bad Check Fees Fund (BCFF) for the collection of bad check restitution as provided by Section 570.120, RSMo. Both types of fees are to be expended by the Prosecuting Attorney for items related to the operation of his office.

Both funds are held by the County Treasurer; however, the disbursement procedures are different for each fund. For the DTF, manual checks are issued by the County Treasurer based on check requests prepared by the Prosecuting Attorney's office. The checks are signed by the County Treasurer and sent to the Prosecuting Attorney for his signature and subsequent distribution. The disbursements from the BCFF go through normal county procedures, where check requests and supporting documentation are submitted to the County Finance Officer and reviewed by the County Auditor's office for compliance with bid requirements and other legal provisions, with computer checks then issued and distributed by the county.

- A. During November and December 2006, the former Prosecuting Attorney authorized payments from the DTF totaling \$23,000 to six employees as salary supplements and \$4,000 to one employee as salary. None of these payments were included in the county's payroll records, subjected to payroll tax withholdings, nor reported to the Internal Revenue Service (IRS) on the employees' W-2 forms. The check requests for five of the six salary supplement payments were dated December 14, 2006, and included memos from the former Prosecuting Attorney outlining the accomplishments of the office during 2006 and that he had hoped to reward the employees with raises in 2007, but with a change in circumstance, he could only supplement their salaries for the period January 1 through December 1,

2006. In addition, three of these memos indicate the payments also included vacation hours earned that were not paid by the county; however, there was nothing to document the amounts attributed to the unpaid leave, and time records maintained by the county indicated these three employees had used all of their accrued vacation time by December 31, 2006. For the other salary supplement payment, there was no additional memo, and the check request (dated November 27, 2006) indicated the salary supplement was for the period of October 18, 2006 through December 31, 2006.

For the payment shown as salary, this employee had an employment contract with the county for the period January 1 through October 31, 2006, and county finance office personnel indicated he was paid by the county \$4,000 per month for this 10-month time period. The check request from the Prosecuting Attorney for the \$4,000 salary payment indicated this was for salary for November 2006; however, neither the county nor the Prosecuting Attorney's office could provide documentation to show that his employment contract had been extended nor provide time records to show hours worked for November 2006.

Although Section 56.312, RSMo, states DTF monies may be used for salary supplements for existing employees on the staff of the Prosecuting Attorney's office, the majority of these salary supplement payments appear to represent additional compensation for services previously rendered and appear to be in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states "...a governmental agency deriving its power from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officials after the service has been rendered."

The Prosecuting Attorney should ensure all employee compensation is in compliance with the Missouri Constitution, subject to payroll tax withholdings, and reported on the employees' W-2 forms. The Prosecuting Attorney should work with the county and contact the IRS to determine if amended information returns should be submitted to the IRS for the \$27,000 in unreported compensation.

- B. The Prosecuting Attorney's office uses a credit card for various purchases, and credit card payments totaled \$13,605 during the three years ended December 31, 2007. During 2006 and 2005, the credit card bills were paid from the DTF (\$12,283), while during 2007, payments were made from the BCFF (\$1,322). Prosecuting Attorney office personnel indicated that there is no policy to require the retention and/or submission of vendor invoices/receipts for credit card purchases. Our review noted missing invoices/receipts for each of the 32 monthly credit card payments (no payments were made during four of the 36-month period reviewed). For 21 of these payments, no invoices or receipts were submitted or retained. For the payments from the BCFF which are made through the normal county disbursement process, some invoices or receipts were missing even though

county policy requires invoices/receipts to be submitted for all credit card purchases.

Many of the purchases were from an office supply store and a discount store. In addition, one of the largest single purchases was \$1,269 in August 2006 for new tires and maintenance for the office's county-owned car. The invoice for this purchase was not retained, but office personnel requested a duplicate copy of the invoice which indicated that the purchase was related to the county-owned car.

Some of the credit card purchases were from local restaurants and grocery stores, totaling \$2,659 during 2006 and 2005 (no similar purchases were noted during 2007). Auditee personnel indicated food and meals are provided for certain office-related meetings; however, for many of these purchases there was inadequate documentation to support the propriety of the applicable food and related costs, such as the purpose of the related meetings, the individuals present, and why it was necessary to provide food or meals. There were handwritten notes on some of the credit card statements and copies of the former Prosecuting Attorney's appointment calendar which provided some support for the purpose of these purchases, but in many instances the documentation was either missing or inadequate. In December 2006, a transfer of \$2,434 was made from the BCFF to the DTF to reimburse the DTF for food and kitchen supplies, and \$76 of this amount was identified as office Christmas party supplies. In addition, the former Prosecuting Attorney personally reimbursed the DTF \$381 in December 2006, apparently for some of the food purchases that he determined were not business-related.

Without detailed supporting documentation, including the purpose of items purchased, neither the Prosecuting Attorney nor the county can determine if the expenditures were reasonable and necessary uses of public funds. The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The Prosecuting Attorney should adopt policies to require submission of all credit card invoices/receipts prior to payment of the credit card bills, and require the purpose of all food and meal purchases to be sufficiently documented to ensure public funds are spent only on items which are necessary for the operation of his office.

- C. The former Prosecuting Attorney was reimbursed \$2,635 to attend a seminar in Colorado in January 2006. Supporting documentation included a copy of the former Prosecuting Attorney's personal credit card statement; however, copies of detailed receipts/invoices were not submitted or retained. Travel expenses totaling \$792 for a conference in California in September 2006 and \$213 for airline tickets to Las Vegas for training in June 2007 were charged on the office credit card but no detailed receipts/invoices were retained and there was no documentation to indicate who attended the conference in California. The total travel costs incurred for these trips do not appear unreasonable based on the destinations and the length of the trips. Although the county's travel policies do

not require employees to submit copies of agendas for training conferences, consideration should be given to requiring these be submitted for any training related disbursements. Agendas would provide information to the county regarding the dates of training sessions, meals or other costs covered by the registration fees, or other pertinent details that would assist the county in verifying the propriety of the expenditure.

Travel and training related expenditures or reimbursements should be supported by paid receipts or vendor-provided invoices, training agendas, and/or other detailed documentation needed to support the cost and allow for effective review. Such documentation is necessary to ensure purchases are valid and necessary expenditures of county funds.

- D. The former Prosecuting Attorney authorized an expenditure from the DTF of \$23,675 for a vehicle in February 2005. Office policy is to purchase equipment on state contracts in lieu of soliciting bids; however, supporting documentation of the contract price was not maintained for this purchase.

Section 50.660, RSMo, related to county purchases, requires the advertisement for bids for purchases of \$6,000 or more, and solicitation of bids for purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. For purchases on state contracts in lieu of bids, documentation of the contract number and price should be maintained.

- E. The former Prosecuting Attorney authorized purchases from the DTF for equipment that has apparently been used by other county officials, such as \$5,147 for computers and software for the County Auditor, \$1,907 for printers for the Public Administrator, and \$3,821 for various computer equipment and software for the county's overall computer system. In addition, \$9,845 was spent from the DTF in 2006 for legal fees for work performed on behalf of the County Auditor's office. Auditee personnel indicated that some of these purchases were made from the DTF because the County Commission had not budgeted or otherwise authorized these expenditures from other county funds. The Prosecuting Attorney does not prepare annual budgets for the DTF (budgets are prepared for the BCFF).

In addition, \$125,000 was transferred from the DTF to the county's General Revenue fund in each of the years ended December 31, 2007, 2006, and 2005, and \$25,000 was transferred from the BCFF to the General Revenue Fund in 2005. While Section 570.120, RSMo, allows for unspent BCFF monies to be transferred to the General Revenue Fund, there does not appear to be similar statutory authorization for the transfer of DTF monies.

Sections 570.120 and 56.312, RSMo, require the BCFF and the DTF, respectively, to be used for the operation of the Prosecuting Attorney's office. The Prosecuting Attorney should adopt policies and procedures to ensure these monies are spent in accordance with state law. While Section 56.312, RSMo,

indicates that the DTF shall not be budgeted by the governing body of the county, the Prosecuting Attorney should consider preparing annual budgets to help ensure DTF monies are spent in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure all employee compensation is in compliance with the Missouri Constitution, subject to payroll tax withholding, and reported on the employees' W-2 forms. The Prosecuting Attorney should work with the county and contact the IRS to determine if amended information returns should be submitted to the IRS for the \$27,000 in unreported compensation.
- B. Require invoices/receipts for all credit card purchases be submitted and retained prior to payment. In addition, the Prosecuting Attorney should document the purpose of all meal and food purchases to ensure they represent necessary and prudent uses of public funds.
- C. Ensure sufficient documentation is maintained to support the propriety of all training and related travel expenditures, including invoices/receipts and copies of training agendas or registration forms.
- D. Ensure bids are solicited in accordance with state law. For purchases of equipment on state contracts, documentation should be maintained of the contract number and price.
- E. Ensure all expenditures from the BCFF and DTF comply with state law. In addition, the Prosecuting Attorney should consider preparing annual budgets for the DTF.

AUDITEE'S RESPONSE

Current Prosecuting Attorney Mark Richardson provided the following responses:

- A. *This office has requested appointment of a special prosecutor for a decision of whether the withdrawals were illegal and whether any civil or criminal cause of action concerning the referenced unreported payments totaling \$27,000 made by the former prosecuting attorney in November and December 2006 should be pursued.*
- B. *This office will follow a policy of requiring vendor invoices/receipts for any credit card purchases before paying the credit card balance each month. Although no charges for food or grocery items were referenced for 2007, if any purchases are ever made from local restaurants and grocery stores for food items, this office's policy will require documentation to support the propriety of the applicable food and related costs including the purpose of the meetings, the individuals present, and why it was necessary to provide food. This office acknowledges that without further investigation, insufficient records exist to determine the propriety of the food and grocery items purchased in 2005 and*

2006 by the former prosecuting attorney. This office has requested appointment of a special prosecuting attorney.

- C. This office has not made any determination with regard to the \$2,635 payment made to the former prosecuting attorney in January 2006 other than to concur with the auditor's statement that "copies of detailed receipts/invoices were not submitted or retained." Our office policy will be to require employees to submit agendas for training conferences attended along with detailed receipts/invoices for travel expenses. This office has requested appointment of a special prosecuting attorney.
- D. This office has not made any determination with regard to the February 2005 purchase of a vehicle by the former prosecuting attorney other than to concur with the auditor report that supporting documentation was not maintained for the vehicle purchase. Purchases over the statutory amount will be made upon advertisement for bids or on state contract with supporting contract number.
- E. Concerning the payments totaling over \$20,000 made by the former prosecuting attorney for equipment for or on behalf of other county officials, this office has requested appointment of a special prosecuting attorney to investigate and prosecute, if deemed necessary, any civil or criminal cause of action concerning the referenced payments. This office will not expend funds at the request of other county officials.

Former Prosecuting Attorney Bill Tackett provided the following responses:

At my request, two audits of the Cole County Prosecutor's Office were performed by the Cole County Auditor during my tenure in that office. The first audit was performed just prior to my swearing in as the Prosecuting Attorney, the second was performed just prior to the end of my term in office. There were no remarkable findings in either audit.

The review of the Cole County Prosecuting Attorney's office just prior to my swearing in showed no irregularities. As a result, my term as Prosecuting Attorney followed the same office practices as my predecessors. Because these "past practices" were followed throughout my term in office, the audit that was performed just prior to my departure from office also showed no irregularities.

During the audits performed by the Cole County Auditor, I had full access to the records of the Prosecuting Attorney's office and I was able to provide any and all documentation to the County Auditor for his review during those audits. I also knew that the records for my administration, and those of the previous administrations, were being properly maintained and that past practices were being followed. By contrast, because I no longer have access to the records of the Cole County Prosecutor's office, I cannot speak to the accuracy or accountability of the records as they are now being maintained, nor can I speak to the access to records that has been provided to the Missouri State Auditor's office for the audit that is now underway.

A specific past practice that has come into question in this audit concerns the practice of returning excess funds from either the Bad Check Fee Fund or the Delinquent Tax Fund to the

county general revenue fund at the end of each year, as well as the sharing of those funds with other offices of elected officials of Cole County for their use toward computer equipment and other support functions. This practice was already firmly established when I was hired as an Assistant Prosecutor in 1990, and continued unchanged throughout my tenure in the Prosecuting Attorney's office. The rationale for the transfer of these funds to these entities has been that the Prosecuting Attorney's role as county counselor includes representation of all other county officials in any potential lawsuits. Therefore, providing the county and its elected officials with the resources necessary for them to lawfully execute their duties could prevent some potential future lawsuits. A further rationale supported by the County Auditor is that these other county offices touched the Prosecutor's Office through their own duties (i.e. Treasurer signs checks, Auditor audits office, etc.) and, as such, are an extension of the Prosecutor's Office and satisfy the statutory language permitting the use of these funds. As stated earlier, this has been a long-accepted practice within the Prosecuting Attorney's office.

On the issue of the office credit card, a staff member of the State Auditor's Office told me in a telephone interview on March 17, 2008, that the current Cole County Prosecuting Attorney did not have the appropriate receipts for several of his expenditures, and that a trip was taken by someone in his office that lacked the same documentation that I lacked. I do not condemn the current Prosecuting Attorney for this finding, but the comment indicates that he was following a "past practice" that had been found unremarkable in previous audits.

With regard to the contract price of the vehicle that is allocated to the Prosecuting Attorney's office, I can relay to you the circumstances surrounding my purchasing decisions during my term as the Prosecuting Attorney. The vehicle that I inherited upon taking office was a Jeep Cherokee that my predecessor had purchased. The office vehicle for the Prosecuting Attorney had historically been a Ford Crown Victoria. However, my predecessor indicated that he purchased the Jeep Cherokee in part because it was a more appropriate vehicle for transporting cages as typically used in racing pigeons, which is a hobby of my predecessor. When I took office as the Prosecuting Attorney, the Jeep was transferred to the Cole County Health Department, after the County Auditor and the County Commission agreed to such a transfer. I subsequently purchased a Crown Victoria for the Prosecuting Attorney's office, in accordance with past practices and consistent with the State of Missouri's purchasing contract of these vehicles for law enforcement personnel in Missouri. The vehicle was purchased from the dealer in Columbia that had the state contract and at the contract price.

Also in accordance with past practice, I replaced the vehicle after two years of use. The old vehicle was provided to the Investigator for the Prosecuting Attorney's office for his official use. I asked the County Auditor if I could purchase a vehicle that was priced below the Ford Crown Victoria price. He responded that he believed it would not offend the spirit of auditing practices to purchase a vehicle that was lower in cost. I purchased a Ford 500 for less than the Crown Victoria would have cost from the same dealer (who had the state contract).

On the issue of severance pay to employees: These were highly experienced employees who had been personally notified by the current Prosecuting Attorney that they would be terminated immediately when he took over as prosecuting attorney. These firings were without cause and appeared to be politically motivated. These employees were paid approximately one month's

salary as severance pay. I paid those from the delinquent tax fund in accordance with Section 56.312, RSMo, which authorized payment of "salary supplements for existing employees on the staff of the prosecuting ... attorney." There is a legal presumption that all statutes are constitutional.

Regarding the failure to subject these salary supplements to payroll withholding or inclusion on employees' W-2's, those functions are carried out by the county administration. The checks were drafted and issued by the county treasurer and sent to me for signature. I was not otherwise involved in these bookkeeping procedures.

I want to point out an area of concern that arose during my telephone interview with a staff member of the State Auditor's Office on March 17, 2008. It was clear from our conversation that he did not have copies of records from my term in office pertaining to office meetings where food was provided. Detailed records of the meetings and food expenditures had been maintained by my office staff during my term as Prosecutor. I retained personal copies of these office records, and it was apparent that the original records had either not been made available to the State Auditor's Office, or that they had not reviewed those records for this audit. The records to which I refer give the credit card posting date and a notation of the office meeting that occurred. After each credit card bill was received, my secretary and I would compare the credit card entry with the office calendar that she kept and she documented each of these occurrences by making notations about the meeting on the office calendar and on the credit card receipts. I am concerned by the fact that the State Auditor's Office had not reviewed this office calendar or the credit card bills with the corresponding notes. All of those notes were made available to the County Auditor during his review of the Prosecutor's office that he conducted at the end of my term. At the time of the County Auditor's last review, I also had the assistant in the Cole County Auditor's Office walk through the office with me to record the presence of stamps, kitchen utensils, food, and office equipment. I made certain that my reimbursements were complete before leaving the office of Prosecuting Attorney.

Of further concern were the State Auditor's Office questions about a trip that I made to California. The trip to California occurred three or four years ago, and was for the purpose of visiting a man who, at that time, was one of the nation's only crime scene video reconstructionists. I was considering the need for a video reconstruction for use in a capital murder case that involved a complex set of movements that I thought could be better understood by a jury if set out in video form. My secretary had several phone conversations with this gentleman to set up the meeting; however, it appears that the State Auditor's Office did not ask her for this expert's name. I met with the expert in Long Beach, California, however, I do not recall his name. Because the case was not tried during my tenure in office, I did not retain the services of this expert.

The State Auditor's Office also indicated to me that the preliminary findings of this audit were not unusual for an average prosecutor's office but that the circumstances of the request for an audit was unusual. They said they had not had a case where a new prosecutor had requested an audit to be performed by the State Auditor's office, as opposed to the County Auditor who is charged with such duties.

Finally, in the last paragraph of point B of the draft audit, the State Auditor's office states that they do not know the purpose for which some public funds were used and that the public places a fiduciary trust in their public officials. This assertion is concerning, given that the State Auditor's findings relied on the cooperation of my former political opponent for the production of records relating to my term in office, and that it appears that such records were not provided to the State Auditor's Office in their entirety. It is also of concern that this assertion was made without the benefit of seeking input or documentation from either myself or the Cole County Auditor.

AUDITOR'S COMMENT

The State Auditor's Office did review records maintained by the former Prosecuting Attorney for credit card food purchases that the current Prosecuting Attorney did provide. As indicated in our finding, the handwritten notes on the credit card statements and the copies of the former Prosecuting Attorney's appointment calendar did not always indicate the purpose of the related food purchases.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

PROSECUTING ATTORNEY
COLE COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Pursuant to Section 136.150, RSMo, the Prosecuting Attorney provides assistance to the Missouri Department of Revenue in the collection of delinquent taxes, licenses, and fees and receives a collection fee of twenty percent of the delinquent tax, license, or fee recovered. The collection fee is deposited in the county treasury, with one-half going to the General Revenue Fund and one-half going to the Delinquent Tax Fund. Under Section 570.120, RSMo, the Prosecuting Attorney receives fees for administrative handling costs for bad check cases. The fees are deposited in the Bad Check Fees Fund. The monies in these funds are to be used for office supplies, postage, books, training, office equipment, capital outlay, expenses of trial and witness preparation, and additional employees for the staff of the prosecuting attorney, as well as other items for the operation of the Prosecuting Attorney's office as allowed by state law.

Bill Tackett served as Prosecuting Attorney of Cole County from January 1, 2003, to December 31, 2006. Mark Richardson took office January 1, 2007.

The following schedules reflect the activity of the Delinquent Tax Fund and the Bad Check Fees Fund. The schedules do not include operating costs of the Prosecuting Attorney's office which are paid from the General Revenue Fund of the county.

Appendix A

PROSECUTING ATTORNEY

COLE COUNTY

DELINQUENT TAX FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	Year Ended December 31,		
	2007	2006	2005
RECEIPTS			
Intergovernmental	\$ 228,107	184,317	176,626
Interest	848	865	724
Other	0	381	0
Transfer from Bad Check Fees Fund	0	2,434	0
Total Receipts	<u>228,955</u>	<u>187,997</u>	<u>177,350</u>
DISBURSEMENTS			
Automobile purchases and expenses	0	0	24,089
Computer purchases and expenses	5,587	16,202	30,269
Credit card purchases	0	7,113	5,170
Criminal investigation	495	22,200	2,966
Dues and subscriptions	1,580	0	0
Equipment purchases	1,563	0	9,658
Legal fees	0	9,845	0
Office supplies	0	0	1,713
Salaries and salary supplements	0	27,000	0
Special prosecution	3,020	2,550	5,295
Training and education	0	2,635	150
Witness expenses	3,906	188	3,849
Miscellaneous	155	5,259	6,852
Transfer to General Revenue Fund	125,000	125,000	125,000
Total Disbursements	<u>141,306</u>	<u>217,992</u>	<u>215,011</u>
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	87,649	(29,995)	(37,661)
CASH, JANUARY 1	30,526	60,521	98,182
CASH, DECEMBER 31	<u>\$ 118,175</u>	<u>30,526</u>	<u>60,521</u>

Appendix B

PROSECUTING ATTORNEY

COLE COUNTY

BAD CHECK FEES FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

	Year Ended December 31,		
	2007	2006	2005
RECEIPTS			
Charges for services	\$ 80,810	101,536	75,894
Interest	584	313	86
Total Receipts	81,394	101,849	75,980
DISBURSEMENTS			
Automobile purchases and expenses	196	379	0
Computer purchases and expenses	24,120	28,966	20,144
Credit card purchases	1,322	0	0
Criminal investigation	13,910	5,921	9,920
Dues and subscriptions	0	915	0
Missouri Office of Prosecution Services	9,846	12,357	5,878
Printing and reproduction	2,254	0	0
Office supplies and expenses	1,043	1,904	2,126
Professional services	190	285	0
Training and education	1,464	0	0
Miscellaneous	3,191	5,559	144
Transfer to Delinquent Tax Fund	0	2,434	0
Transfer to General Revenue Fund	0	0	25,000
Total Disbursements	57,536	58,720	63,212
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	23,858	43,129	12,768
CASH, JANUARY 1	59,605	16,476	3,708
CASH, DECEMBER 31	\$ 83,463	59,605	16,476

DOCUMENTATION TO SUPPORT AUDIT FINDINGS

PROSECUTING ATTORNEY
 COLE COUNTY
 DOCUMENTATION TO SUPPORT AUDIT FINDINGS

MANAGEMENT ADVISORY REPORT (MAR), PART A

Salary supplement payments not reported to the Internal Revenue Service:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
11/27/2006	1058	\$ 750.00
12/15/2006	1067	3,800.00
12/15/2006	1068	2,500.00
12/15/2006	1069	5,225.00
12/15/2006	1070	5,500.00
12/15/2006	1071	5,225.00
Total		<u>\$ 23,000.00</u>

Salary payment not reported to the IRS:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
11/27/2006	1059	\$ 4,000.00

MAR, PART B

Credit card food purchases from local restaurants and grocery stores:

<u>Date</u>	<u>Check Number</u>	<u>Food Amount</u>
1/20/2005	950	\$ 19.00
2/7/2005	953	134.54
4/18/2005	970	85.63
5/12/2005	973	35.37
6/8/2005	978	299.48
7/21/2005	983	210.01
8/10/2005	987	115.91
9/12/2005	988	174.20
10/15/2005	999	78.26
11/14/2005	1004	198.39
12/5/2005	1007	152.78
1/13/2006	1018	75.56
2/15/2006	1023	243.00
3/14/2006	1027	168.54
4/4/2006	1032	226.31
5/11/2006	1036	115.01
6/16/2006	1038	114.32
7/18/2006	1042	73.38
8/14/2006	1044	29.36
11/14/2006	1051	110.29
Total		<u>\$ 2,659.34</u>

MAR PART C

Travel expense lacking adequate supporting documentation:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>
2/15/2006	1026	\$ 2,634.68
10/3/2006	1048	792.34
7/17/2007	1354	213.30

MAR PART E

Purchases from the Delinquent Tax Fund on behalf of other county officials:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>	<u>Purpose</u>
5/17/2005	975	1,944.24	Computer for County Auditor
10/3/2006	1047	927.60	Software for County Auditor
10/16/2006	1050	2,275.12	Computers for County Auditor
Total		<u>5,146.96</u>	
11/14/2006	1056	<u>1,906.72</u>	Printers for Public Administrator
12/19/2006	1072	<u>3,820.86</u>	Computer equipment and software for county's overall computer system
11/14/2006	1053	5,427.70	Legal fees on behalf of County Auditor's Office
12/7/2006	1064	4,417.72	Legal fees on behalf of County Auditor's Office
Total		<u>9,845.42</u>	



Susan Montee, CPA
Missouri State Auditor

TAX CREDIT

Analysis of Low Income Housing Tax Credit Program



April 2008
Report No. 2008-23

auditor.mo.gov



The Low Income Housing Tax Credit Is Costly and Inefficient, and Improvements Are Needed in Program Administration

This audit evaluated the Missouri Housing Development Commission's (MHDC) administration and the cost-effectiveness of the state's Low Income Housing Tax Credit (LIHTC) program. The credit is a supplement to the federal LIHTC provided by the federal government to every state. The federal credit began in 1986 with Missouri's state credit being established in 1990. MHDC staff use both credits along with other financing sources to provide financing for new housing construction or rehabilitation of existing properties. Developers submit housing proposals to the MHDC which are evaluated in an annual project selection process. Approximately 37,000 low income housing units have been approved for construction using the state LIHTC from 1998 to 2008. State law requires the State Auditor to perform a cost-benefit analysis of all state tax credit programs, and this report is part of ongoing work.

LIHTC is costly

Through fiscal year 2007, a total of \$1.6 billion in LIHTCs have been authorized, and \$329 million have been redeemed, resulting in \$1.27 billion in credits which remain outstanding or pending issuance. For fiscal year 2007, Missouri ranked second in per capita state funding of all states with state LIHTC programs. Missouri was one of three states with a per capita rate exceeding \$20. The other states had per capita rates of \$4 or less. At the program's current pace, we project a total of \$4.1 billion in credits will be authorized and \$1.8 billion will be redeemed by 2020, leaving an estimated \$2.3 billion in credits outstanding or pending issuance, with annual redemptions exceeding \$100 million. (See pages 14 and 16)

Credits issued and redeemed exceed MHDC projections

State LIHTCs issued and redeemed are significantly exceeding the projections MHDC provided the General Assembly in 1997 when state law changed to allow the state credit match limit to increase to up to 100 percent of the federal credit. MHDC estimated the average state tax credit allocation rate would be 50 percent of the federal credit; however, MHDC matched the federal credit level at a rate of 97 percent in 1998, 99 percent in 1999 and essentially 100 percent from 2000 through the current period. For the period 1998 to 2007, MHDC's analysis projected increased issued and redeemable tax credits for this law change at \$107 million. Our analysis, using the assumption of a 100 percent match of the federal credit and considering another issue missing from that estimate, projected the increase to be \$383 million. Based on actual data through fiscal year 2007, the 1997 statutory change resulted in a \$537 million increase in redeemable credits from 1998 through 2007. (See page 15)

The current LIHTC model is inefficient

For every \$1 in LIHTC authorized and issued, the current tax credit model provides only about \$.35 towards the development of housing. The remaining \$.65 goes to investors, syndication firms, and to the federal government in the form of increased taxes resulting from the use of state tax credits. The audit discusses several options to improve the tax credit model, one of which would allow MHDC to issue approximately half as many credits as are currently being issued while providing the same level of equity for housing development. (See page 17)

Project selection process lacks detail	MHDC staff does not create detailed documentation to disclose how projects are selected to receive tax credits. Of the 50 states which use the federal LIHTC, 46 use some form of scoring system in their project evaluation and selection process. This lack of detail has contributed to the perception that political influence impacts project selection. (See page 26)
Allowable project cost limits are high	The allowable project cost limits used during the project evaluation process exceed cost limits recommended by the National Council of State Housing Agencies. The National Council recommends state housing agencies base cost per unit standards on federal Housing and Urban Development (HUD) guidelines and recommends agencies have a defined methodology to support limits exceeding the HUD guidelines. MHDC staff could not provide documentation explaining the criteria used to establish the higher cost limits. High cost limits do not promote cost containment. MHDC also allows project builder's fees which exceed National Council recommendations. (See page 27)
Improvements are needed in program administration	Weaknesses exist in procedures to recapture tax credits on noncompliant projects. State law also limits the recapture period to 10 years when the minimum compliance period for projects is 15 years under federal rules. MHDC has not developed a strategic plan to assess long-term low income housing needs and establish long-term low income housing goals to measure performance. Also the LIHTC program's economic benefit to the state being reported to the General Assembly is overstated. In addition, MHDC has no policy requiring developers notify tenants when low income housing projects are being converted by developers to market based housing or to aid tenants in relocation. (See page 36)

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Abbreviations

DIFP	Department of Insurance, Financial Institutions, and Professional Registration
DOR	Department of Revenue
HUD	Housing and Urban Development
IRS	Internal Revenue Service
LIHTC	Low Income Housing Tax Credit
MHDC	Missouri Housing Development Commission
QAP	Qualified Allocation Plan
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Joint Committee on Tax Policy
and
Missouri Housing Development Commission
and
Pete Ramsel, Executive Director
Missouri Housing Development Commission
and
Omar Davis, Director
Department of Revenue
and
Gregory A. Steinhoff, Director
Department of Economic Development
Jefferson City, MO

State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. The audit objectives included (1) analyzing the costs and benefits of the Low Income Housing Tax Credit (LIHTC) program to determine if it is an effective and efficient use of state resources, (2) analyzing the structure of other states' LIHTC programs for potential changes to Missouri's program, and (3) evaluating Missouri Housing Development Commission (MHDC) controls and procedure over management of the program.

We determined the state's LIHTC model is costly and inefficient. In 2007, Missouri ranked second in state LIHTC funding, on a per capita basis, of all states with state LIHTC programs. Assuming tax credits are awarded at a pace consistent with prior years, our projections estimate a total of \$4.1 billion in credits will be authorized and approximately \$1.8 billion in credits will be redeemed, leaving an estimated \$2.3 billion in credits outstanding by 2020. In addition, only \$.35 of every tax credit dollar issued is actually used to build low income housing. Options exist to improve the efficiency of the tax credit which include changing to a tax credit model that involves refundable or certificated credits.

MHDC does not provide the public with adequate detail of the project selection process, leading to perceptions of political influence over project selections. In addition, project costs are high because the MHDC (1) has established project cost limits higher than federal Housing and Urban Development guidelines, and (2) allows maximum builder fees that exceed National Council of State Housing Agencies recommendations. In addition, improvements are needed in the state's efforts to (1) recapture tax credits, (2) evaluate the state's long-term low income housing needs, (3) estimate the program's economic impact, and (4) assist tenants during project conversions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception of the external impairment of access to tax credit redemption and recapture data from income tax returns which limited our ability to conduct our work. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel. Key contributors to this report included Jon Halwes, Robert Showers, Ben Douglas, Michael Reeves, and Travis Owens.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

Missouri's Low Income Housing tax credit (LIHTC) program started in 1990 and is established under Sections 135.350 to 135.363, RSMo. The tax credit has no expiration. The Missouri Housing Development Commission (MHDC)¹ manages this tax credit program which is designed to supplement the federal LIHTC which began in 1986. Tax credits must be used for new construction, rehabilitation, or acquisition and rehabilitation. The LIHTC had \$81.6 million in redemptions in fiscal year 2007, making it the state's third most costly tax credit program that year. See Appendix IV for redemption information on all state tax credits.

Tax credits can generally be broken into three categories. Some are established to create a certain economic benefit, some are established to induce certain social benefits and others are created for both an economic and social benefit. The LIHTC program is designed to create both an economic and social benefit with more emphasis on a social impact. The social impact of more and/or better housing can induce economic benefits in a community and the construction phase of projects produces at least some short term economic impact.

The Internal Revenue Service (IRS) allocates federal LIHTCs² to each state based on population. The level of funding was \$1.75 per capita in 2002 and has been adjusted annually for inflation beginning in 2003. For 2007, the funding level was \$1.95 per capita, which for Missouri equals \$11.4 million, and increased to \$2 per capita in 2008. Guidelines for the federal LIHTC are in Section 42 of the IRS tax code.

Owners of a project to which the federal credit is allocated receive a federal credit equal to 9 percent of the qualified basis³ of the project each year for 10 years. Projects financed with tax-exempt bonds receive a federal tax credit equal to 4 percent of the qualified basis.⁴ Projects seeking 9 percent credits are awarded on a competitive basis. Projects seeking 4 percent

¹ The MHDC includes the Governor, Lieutenant Governor, Attorney General, State Treasurer and six persons appointed by the governor with the advice and consent of the Senate. An Executive Director manages MHDC operations. MHDC is part of the Department of Economic Development.

² The allocation relates to 9 percent projects only.

³ Qualified basis is the total cost to develop the property, less items not subject to depreciation (land and reserves) and the cost of market rate units. A project's qualified basis may be increased by 130 percent if it is located in a qualified census tract or difficult to develop area, as determined by the Department of Housing and Urban Development (HUD).

⁴ Actual tax credit rates are not exactly 9 percent and 4 percent, and vary on a monthly basis. The tax credit rate is determined so that the actual expected present value of the subsidy over the 10-year period equals 70 percent of the project's eligible basis in the case of the 9 percent credit, and 30 percent for the 4 percent credit. The rates are calculated and released monthly by the United States Treasury.

credits have historically been awarded based on the availability of tax exempt bond financing. Starting in 2007, MHDC implemented a process which prioritizes 4 percent project applications to help ensure the best projects receive priority access to available bond funding.

In 1990, Missouri began supplementing the federal program by allocating state income tax credits equal to 20 percent of the federal total. In 1994, the state credit increased to up to 40 percent of the federal credit for areas that lost housing in the 1993 flood. In 1997, the state credit increased to up to 100 percent of the federal credit for all areas and remains at that level.

The credit is limited to a percentage of the qualified basis, based upon depreciable basis, and the percentage of affordable units in the development. The minimum number of qualifying units is (1) 40 percent of the total number of units affordable to persons at 60 percent of the median income or (2) 20 percent affordable to persons at 50 percent of the median income. Missouri's annual Qualified Allocation Plan (QAP) establishes the selection criteria, federal preferences and MHDC priorities for proposal selection. Congress has delegated the administration of the federal LIHTC to state housing agencies (MHDC in Missouri) to assure that good quality housing would be available where it is most needed. MHDC is responsible for the allocation of federal and state credits, but also with assuring compliance with the regulations. The compliance process includes periodic physical inspections of the property as well as reviews of management and occupancy procedures during a minimum 15-year compliance period.

The tax credit is not refundable.⁵ Section 135.353.3, RSMo, allows the credits to be carried back 3 years to offset prior tax liability or carried forward for 5 years to offset future tax liability. The tax credits are sold to investors who must become part of the development partnership and may be redeemed against state income tax, corporate franchise tax, financial institution tax, and insurance company premium tax.

Housing tax credits in other states

Missouri is one of 16 states that have established state tax credits for housing. Eight states⁶ only utilize a state LIHTC in addition to the federal credit, three states⁷ only utilize a contribution credit which is dependent upon contributions to not-for-profit entities, and three states (Arkansas, Missouri, and Vermont) use both the LIHTC and contribution credit. Two states (Oregon and Tennessee) use a state credit tied to bank loans to

⁵ The taxpayer must have a tax liability the credit can be offset against.

⁶ States which utilize only a state LIHTC are California, Georgia, Hawaii, Massachusetts, New York, North Carolina, Utah, and Virginia.

⁷ States which utilize only the contribution credit are Connecticut, Illinois, and New Mexico.

supplement their federal LIHTC program. Of the 11 states⁸ which utilize a state LIHTC, 6 use a 10-year credit period like Missouri, while 5 use a shorter timeframe, varying from 1 year to 5 years. See Appendix II for 2007 funding information on each state utilizing a LIHTC.

Developer Application Process for State and Federal Credits

Developers (for-profit and not-for-profit) are eligible to apply for tax credits. Applicants must demonstrate prior, successful housing experience and engage the services of housing professionals, such as architects, appraisers, attorneys, accountants, contractors and property managers with demonstrable tax credit and housing experience. Developers must have the financial capacity to successfully complete and operate the proposed housing development. Proposed housing developments must:

- Meet a demonstrated affordable housing need
- Provide housing for low income persons and families
- Demonstrate local support
- Leverage tax credit funding with other financing and/or rental assistance
- Be economically feasible
- Balance sources and uses of funds

MHDC sets the application and selection schedule annually. Typically, a Notice of Funding Availability is published during the month of August. Once the notice is released, an application packet is available on the MHDC website or by mail, upon request. The deadline for proposal submission is typically in late October, and MHDC staff makes recommendations to the commission in December or January. MHDC project cost limits are set at 140 percent of established HUD guidelines for 8 designated metropolitan areas⁹ in the state; with any projects outside these areas being subject to a 100 percent of HUD guideline cost limit. Tax credits are issued to approved project owners over a 10-year period once the housing is ready for occupancy which is typically 2 years after project approval. A project cannot be approved for state LIHTCs without federal credits also being approved for the project. Projects are generally limited to \$7 million¹⁰ in state credits and \$7 million in federal credits. The state credit has the same guidelines as the federal credit.

⁸ Excluding the two states with credits tied to bank loans which had varying credit periods.

⁹ The eight designated metropolitan areas established beginning with the 2007 project year are St. Louis, Kansas City, Springfield, Columbia, Jefferson City, St. Joseph, Joplin, and McDonald County. From 2003 through 2006, the 140 percent of HUD guideline was only applicable to Kansas City and St. Louis and in 2001 and 2002, a 125 percent of HUD guideline applied to Kansas City and St. Louis.

¹⁰ \$700,000 in annual credits over 10 years.

Project Funding Sources

Approximately 70 percent of funding for 9 percent LIHTC projects approved during 2005, 2006, and 2007 came from the sales proceeds for state and federal LIHTCs. Other sources of funding include MHDC, federal, and private loans; state and federal historic preservation tax credits; and affordable housing tax credits.

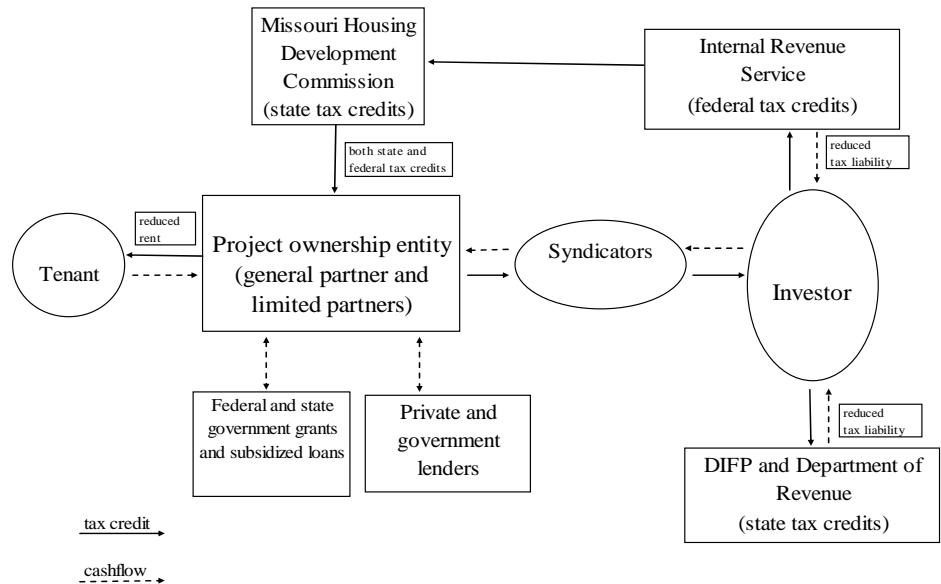
Tax Credit Sale and Investment Process

Developers typically recruit investors as part of a limited partnership arrangement to sell tax credits. The sale is often administered by a syndicator who is responsible for ensuring project compliance with federal tax code rules. Several of the more active syndicators in the state are directly affiliated with developers who are also active in the program. As a general partner, the developer has a small ownership percentage in the project, but has the authority to build and maintain the project on a day to day basis. The investors, as limited partners, have a large ownership percentage in the project with an otherwise passive role. Investors look at the credit, which can be used to offset tax liabilities, as their return on investment. Investors can also receive any tax benefit related to any tax losses generated through a project's operating costs, interest on its debts, and deductions such as depreciation and amortization.

Investors in Missouri typically are corporations. Syndicators told us usually the investors receiving the federal tax credits are different than the investors receiving the state tax credits. In recent years, insurance companies have become big investors in LIHTC projects in Missouri and are redeeming a large portion of the state LIHTCs. The insurance companies use the credits to offset insurance premium taxes.

Figure 1.1 shows the flow of state and federal LIHTCs as part of a typical low income housing project.

Figure 1.1: Flow of Low Income Housing Tax Credits



Source: Pamela Jackson, "The Low Income Housing Tax Credit: A Framework For Evaluation," March 2007 and SAO analysis.

Tax Credit Recapture

MHDC staff monitors each approved project's compliance with federal LIHTC requirements. If non-compliance is identified the owner has up to 45 days to correct the problem, unless an extension is granted. MHDC staff will re-inspect the project, evaluate the status of the compliance problem and file a report with the IRS regardless of whether or not the problem was corrected. Reported uncorrected non-compliance issues may result in recapture of a portion of federal and state tax credits redeemed on the projects. IRS staff determines if federal LIHTCs will be recaptured.

State law¹¹ bases state LIHTC recapture on the amount of federal credits recaptured. The law requires that if under Section 42 of the IRS code any portion of any federal LIHTCs taken on a low income project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming credit on the project is required to recapture a portion of any state credits authorized. The state recapture amount shall be equal to the proportion of state credit claimed by the taxpayer that equals the proportion the federal recapture amount bears to the original federal LIHTC amount subject to recapture.

¹¹ Section 135.355, RSMo.

Tax Credits Authorized, Redeemed, and Outstanding

In order to claim a tax credit, all projects receiving federal LIHTC allocations since 1987 must comply with all eligibility requirements for a period of 15 taxable years, beginning with the first taxable year of a building's credit period. Projects receiving credit allocations after December 31, 1989 are required by the IRS code to comply with all eligibility requirements for an additional 15 years beyond the initial 15-year compliance period for a total of 30 years. This additional 15-year period is referred to in the IRS code as the "extended use period." However, after the initial 15-year compliance period some low income housing projects may be eligible¹² for conversion to market-based rents if the property owner chooses to opt out of the low income housing program.

A total of \$1.6 billion in state LIHTCs have been authorized to projects from fiscal year 1994 through 2007,¹³ with a total of \$571.1 million in credits actually issued.¹⁴ A total of \$328.9 million in tax credits have been redeemed from fiscal 1994 through 2007, leaving a total of \$1.27 billion in tax credits outstanding or pending issuance, which will be redeemed over the next 10 years.¹⁵ Appendix I, Table I.1 lists detailed information of credits authorized and redeemed by fiscal year, and cumulative credits outstanding or pending issuance.

MHDC has authorized an average of \$105.6 million per year in 9 percent state credits for fiscal years 2004 through 2007, with the same amount being authorized in federal credits. The amount of 9 percent credits awarded and authorized has remained relatively consistent in recent years. However, MHDC has significantly increased its use of 4 percent state credits. For fiscal years 2004 through 2007, MHDC authorized an average of \$101.6 million in 4 percent tax credits per year. In comparison, MHDC authorized an average of \$25.6 million per year in 4 percent credits for fiscal years 2000 through 2003.

¹² Depends on the other types of financing besides tax credits used on the project and other conditions.

¹³ MHDC could only provide information back to 1994. The state LIHTC started in 1990, so some limited issuance and redemption activity is excluded from this data.

¹⁴ Tax credits are typically "awarded" in December each year, but are not "authorized" until a later date in the following year, and are not "issued" until the project is complete, which may be several years after the credits have been awarded.

¹⁵ The redemption period may actually be longer than 10 years due to the 5 year carry forward provision. The \$1.27 billion in outstanding credits may include some credits which are no longer eligible for redemption due to time expiration or project non-compliance. Current law does not require the DOR to maintain this information.

Low Income Housing Units Built

Approximately 37,000 low income housing units have been approved for construction using the state LIHTC since 1998.

Table 1.1: Low Income Units Approved by Credit Type - 1998 through 2008

Type	1998 ¹	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
9 Percent	1,335	1,084	1,218	1,448	1,255	1,341	1,269	1,315	1,276	980	1,296	13,817
4 Percent	1,286	3,020	631	1,716	2,100	1,735	2,693	4,414 ²	3,990	670	859	23,114
Total	2,621	4,104	1,849	3,164	3,355	3,076	3,962	5,729	5,266	1,650	2,155	36,931

¹ Data prior to 1998 was not obtained due to the time necessary for MHDC staff to compile it.

² The large number of 4 percent units in 2005 is due to the usage of a large amount of bond cap that was carried forward from previous years. In addition, a portion of the large number of 4 percent projects approved in 2006 was carried forward into 2007 because there was not sufficient bond cap for the projects to proceed in 2006.

Source: 2001 Legislative Oversight report (1998-2001), MHDC data (2002-2008).

Scope and Methodology

Section 620.1300, RSMo, requires the State Auditor's office to analyze the cost-benefit impact to evaluate the effectiveness of all state tax credit programs.

In order to gain an understanding of the state LIHTC program, we interviewed various individuals involved in all aspects of the program, including MHDC staff, several developers and their representatives, tax attorneys, an architect, and representatives of (1) five syndication firms, (2) a Certified Public Accounting firm involved in the cost certification process, (3) the federal office of HUD, and (4) the IRS. We also discussed tax credit redemptions with representatives of the Department of Economic Development, the Department of Revenue (DOR) and the Department of Insurance, Financial Institutions, and Professional Registration (DIFP). Our review also included visits to eight LIHTC project sites, including projects which were both completed and in-process.

We obtained data from MHDC staff on the number of housing units approved by the commission for the period 2002 through 2008. We also obtained information from MHDC staff on the number of projects converting to market-based housing. This information is presented for informational purposes only; therefore, we have not verified its accuracy.

We obtained information on tax credit authorization from MHDC staff, and tax credit redemptions from MHDC, DOR and DIFP staff. We reviewed the information for accuracy within the limitation discussed on page 12.

In order to understand how Missouri's state LIHTC program compares to the LIHTC programs of other states, we obtained information from various sources, including interviews with an affordable housing research

organization official, and state housing agency representatives with the states of Arkansas, California, Connecticut, Georgia, Hawaii, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Nebraska, New Mexico, New York, North Carolina, Oklahoma, Oregon, Tennessee, Utah, Vermont, and Virginia.

To develop projections of future tax credit activity and liability, we reviewed historical trends in tax credits awarded, authorized, issued and redeemed including data presented in Appendix I. We also reviewed historical information related to the federal LIHTC allocation, including population and allocation rates. We based projections for future years on historical trends, with an emphasis on more recent history. Future 4 percent tax credit activity is dependent upon the Department of Economic Development's allocation of tax-exempt bond cap, and is difficult to project. Our projection for 4 percent tax credits is a conservative estimate compared to the higher level of authorized 4 percent credits awarded from 2004 to 2006.

To evaluate aspects of program management, we evaluated MHDC staff's project selection process, evaluation of project costs, and planning regarding the state's long term housing needs. We also reviewed the LIHTC cost-benefit analysis MHDC reported to the legislature annually as part of the state budget process. In addition, we compared Missouri's program to best practices established by the National Council of State Housing Agencies.

To evaluate the potential of political influence in the project selection process, we reviewed campaign contribution information from the Missouri State Ethics Commission. We attempted to identify contributions made by developers or companies affiliated with developers to the elected members of the MHDC.

To evaluate state LIHTC recapture, we interviewed staff with the MHDC, DOR, and IRS. We obtained information from MHDC on project non-compliance reported to the IRS for the period 2003 to 2007. We reviewed those projects to identify where any recapture of LIHTCs was likely and attempted to evaluate if recapture took place.

To evaluate the impact on residents on project conversion, we discussed the conversion process with MHDC staff and low income housing officials in other states and the federal government.

We obtained aggregate totals of annual tax credit redemptions for all state tax credits for fiscal year 2007 and recaptured LIHTCs for fiscal years 2000 to 2007 from the DOR. We were not provided detailed redemption or recapture information. The Director of the DOR denied us access due to the department's interpretation of the Missouri Supreme Court decision in the

case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). These external impairments limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals or the recapture information. IRS confidentiality policies also prevented us from obtaining information on federal LIHTCs recaptured.

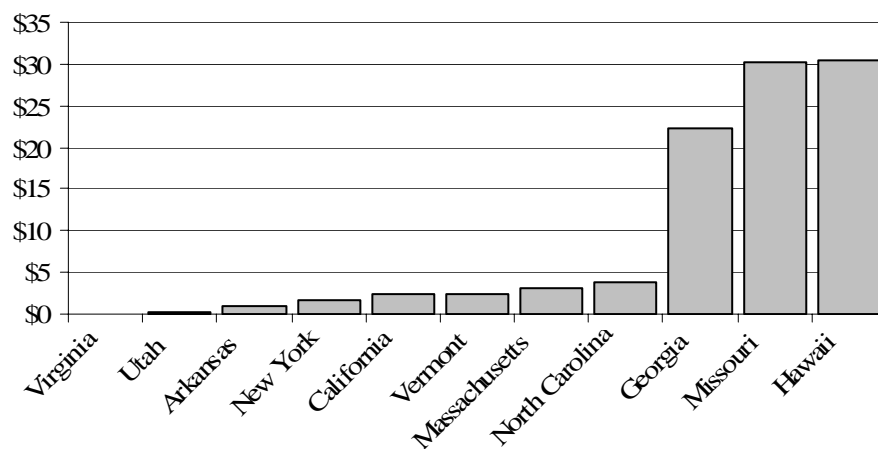
Cost-Effectiveness of the LIHTC Could Be Significantly Improved

The state's LIHTC model (investment model) currently in place is costly and inefficient. In 2007, Missouri ranked second in state LIHTC funding, on a per capita basis, of all states with state LIHTC programs. In addition, only \$.35 of every tax credit dollar issued is actually used to build low income housing, with the remainder going to syndication firms and to investors, with much of it being used by investors to pay increased federal tax liability created by the investors' use of the state credits. Options exist to improve the efficiency of the tax credit model. A statutory change to a certificated credit model would expand the market for state credits and increase the price being paid for the state credits, allowing MHDC to issue fewer credits while generating the same level of equity for construction. A reduction in the amount of credits issued would result in a reduction in the amount of credits being redeemed in future years. The state of North Carolina has also implemented a refundable model which more resembles a direct grant program which would also substantially improve the efficiency of the tax credit model.

Current Tax Credit Model Is Costly

In 2007, Missouri ranked second in state LIHTC funding, on a per capita basis, of all states with state LIHTC programs. Missouri was one of three states with a per capita rate exceeding \$20. The other states had per capita rates of \$4 or less. Figure 2.1 shows per capita funding levels of all states with state LIHTC programs.¹⁶ See Appendix II for detailed information on the per capita computations.

Figure 2.1: 2007 Per Capita Funding for States with State LIHTC Programs



Source: SAO analysis.

¹⁶ We did not include Oregon because of the state's unique law which limits the amount of state credits outstanding to \$20 million at any one time. Oregon officials could not provide an estimate of the annual amount of tax credits awarded. We also did not include Tennessee because Tennessee officials could not provide complete information on tax credits issued.

Total tax credits issued are not limited by state law

State law does not limit the amount of state tax credits which may be authorized and issued. Missouri is one of two states, out of 11 with a state LIHTC, which have not implemented statutory limits on the amount of tax credits (both 9 percent and 4 percent) which may be authorized in a given timeframe. States limit the amount of state LIHTCs authorized based on a specific dollar limit, a percentage match of the federal credit set at less than 100 percent, or a combination of both factors. For example, states had the following limits on the annual amount of state tax credits that can be issued:

- Massachusetts - The lesser of \$4 million or 50 percent of the federal credit allocation
- New York - \$4 million
- Arkansas - \$250,000
- Hawaii - State credits are limited to 50 percent of federal credits

Missouri law¹⁷ limits state credits to at most 100 percent of the federal 9 percent tax credit allocation, but essentially has no limit for 4 percent tax credit allocations. MHDC also awards additional state LIHTCs up to 100 percent for any projects eligible for 4 percent federal LIHTCs. These projects require the state designate a portion of its tax-exempt bond cap for low income housing. As a result, MHDC's ability to award 4 percent tax credits is only limited to the amount of tax-exempt bond cap the state's Department of Economic Development allocates for this purpose. Department of Economic Development staff told us significant amounts of bond cap have been available for housing in recent years, which explains the high levels of 4 percent projects approved during 2004 through 2006. In addition, state law does not contain a sunset provision to limit the timeframe in which the current level of LIHTCs may be awarded.

Credits issued and redeemed exceed MHDC projections

State LIHTCs issued and redeemed are significantly exceeding the projections MHDC provided the General Assembly in 1997 when state law changed to allow the state credit match limit to increase to up to 100 percent of the federal credit. In the final fiscal note to the house bill increasing the match limit, MHDC staff reported state credits would continue to be allocated at 20 percent of the federal credit in most parts of the state, but MHDC would increase the allocation to 100 percent in rural areas and areas where it is difficult to develop affordable housing. MHDC estimated in the fiscal note the average allocation rate would be 50 percent of the federal credit. The note further estimated the change would result in lost state

¹⁷ Section 135.352.2, RSMo.

revenue of approximately \$1.95 million¹⁸ each year for 10 years. By the 10th year the cost would peak at \$19.5 million per year. The cumulative additional issued and redeemable credits for the 10-year period of fiscal years 1998 to 2007 would have been approximately \$107 million based on this estimate. That amount was not reported in the fiscal note.

The fiscal note did not consider changes in the amount of federal LIHTCs available annually for 9 percent projects (now at more the \$11 million annually compared to \$6.6 million in 1998), any estimate of credits issued for 4 percent projects, or expansion of the 100 percent limit beyond rural areas. Despite MHDC's 50 percent credit allocation estimate, MHDC matched the federal credit level at a rate of 97 percent in 1998, 99 percent in 1999 and essentially 100 percent from 2000 through the current period.

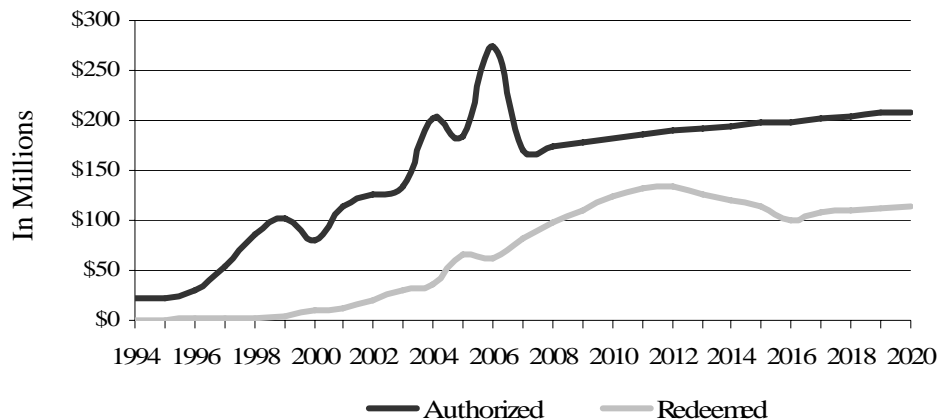
Reworking MHDC's original analysis assuming an average match rate of 100 percent rather than 50 percent, the federal allocation remained at \$6.6 million and estimating 4 percent credits at \$1.68 million annually (80 percent of the average of 4 percent credits issued from 1998 to 2001) the statute change would result in lost state revenue of approximately \$6.96 million each year for 10 years. By the 10th year the cost would peak at \$69.6 million per year. The additional issued and redeemable credits for the 10 year period of fiscal years 1998 to 2007 would have been approximately \$383 million. That estimate, which is a reasonable projection based on the facts available at that time, shows \$276 million in additional costs over the 10-year period covered by the fiscal note. Due to increases in the federal 9 percent credit amount and the increase in the use of 4 percent credits, this result still underestimates the actual increase in program costs as a result of the 1997 statutory change. Based on actual data through fiscal year 2007, the 1997 statutory change resulted in a \$537 million increase in redeemable credits from 1998 through 2007.

Projection of future tax credit activity

Based on actual tax credits awarded in recent years, we projected tax credits to be authorized, redeemed, and outstanding through 2020. Assuming tax credits are awarded at a pace consistent with prior years, our projections estimate a total of \$4.1 billion in credits will be authorized and approximately \$1.8 billion in credits will be redeemed, leaving an estimated \$2.3 billion in credits outstanding by 2020. Figure 2.2 shows actual credits authorized and redeemed annually from fiscal year 1994 through 2007, and projected figures from 2008 through 2020. Based on our projections, redemptions will begin to exceed \$100 million per year in fiscal year 2008 and will remain above \$100 million annually through 2020.

¹⁸ Thirty percent of the estimated fiscal year 1998 federal LIHTC allocation of \$6.6 million.

Figure 2.2: Actual and Estimated Tax Credits Authorized and Redeemed - Fiscal Year 1994 to 2020



Source: MHDC and DOR data, and SAO analysis

Current Tax Credit Model Is Inefficient

The current LIHTC model is financing low income housing construction at an effective interest rate of over 20 percent.¹⁹ The MHDC awarded \$176.3 million in state LIHTCs during fiscal year 2007, which will be redeemed over the next 10 to 15 years. The 2007 tax credits awarded will be converted into approximately \$61.7 million in equity (\$.35 per dollar), to be used for the construction and development of low income housing. In years prior to 2007, the LIHTC model was significantly more inefficient with state credits being consistently sold below the current \$.35, averaging \$.27 and \$.32, in 2005 and 2006, respectively. Prior to 2005, credits were typically sold for approximately \$.25. The increase in efficiency resulted from MHDC staff requiring a minimum of \$.35 for the 2007 applications.

The low sales price is primarily due to the state credit being set up to mirror the federal credit, which reduces the investing taxpayer's state tax liability, thereby reducing the investing taxpayer's federal tax deduction for state taxes paid, according to multiple sources familiar with the tax credit. This results in the automatic devaluation of the state credit of approximately 35 percent.²⁰ The value of the credit is further reduced by the 10-year discount period and syndicator fees (if the developer uses a syndicator to sell the credits). Researchers cited this inherent and significant inefficiency of the

¹⁹ Rate calculated by assuming \$61.7 million was borrowed and \$176.3 million was paid over 10 years to repay the debt.

²⁰ The highest marginal federal income tax rate.

investment credit model when researching potential tax credit models to recommend in the state of Minnesota and rejected this option.²¹

Market for state LIHTCs is relatively small

The market for the state LIHTC is limited to a relatively small pool of investors, including insurance companies, banks, and large corporations, according to our discussions with representatives of a large syndicator. Factors which reduce both the demand for state LIHTCs and the potential number of investors in state LIHTCs include:

- Investors must join the development partnership
- Investor must have a sizable state tax liability and be comfortable predicting that state tax liability over the 10-year time frame
- State credit impacts investor's federal tax liability
- Risk of recapture

The market for federal LIHTCs is generally broader, with more demand than the state credit market, according to the firm representative. Typically investors in federal credits would not be interested in state credits, because each investor has different tax liability structures. In addition, federal tax liability is typically more predictable, and therefore, buying federal credits would carry less risk, according to the representative.

Highest price for credits is not ensured

MHDC does not require developers competitively bid the state and federal credits being sold to help ensure the best sale prices are obtained. MHDC implemented a \$.35 pricing floor for state tax credits starting in 2007, which resulted in an increase in the state credit price. Prior to 2006, sale prices for the state LIHTC were generally below \$.30. MHDC also implemented a \$.85 pricing floor for federal credits in 2007 which also resulted in an increase in the average price paid for federal credits. For 2007, 87 percent of the projects priced state credits at the floor rate and about 50 percent of the projects priced federal credits at the floor rate.

A GAO report on the federal LIHTC²² reported a significant majority of state housing agencies require housing projects show evidence of multiple competitive bids from syndicators or other investors. For example, a Massachusetts housing agency official told us in that state developers are required to show evidence of 3 competitive bids for sale of the state and federal credit during the application process. The Massachusetts agency also

²¹ Janne Flisrand, "Affordable Housing State Tax Credit Models For Minnesota," August 2004.

²² GAO, "Opportunities to Improve Oversight of the Low-Income Housing Program," March 1997.

has a price floor in place, like Missouri, to ensure a minimum level of equity is provided.

MHDC staff told us while they do not require competitive bidding, they "strongly encourage" the developers to get the best price and believe most developers already use a competitive process to ensure they are getting the best price. MHDC staff stated they believe it is best to not interfere with the syndication process.

Options Exist to Improve Efficiency

Several options exist to improve the efficiency of Missouri's LIHTC. Options include (1) the creation of a direct appropriation to fund low income housing directly from state revenues, without the use of state tax credits, (2) the creation of a refundable credit, currently in use in North Carolina, and (3) the creation of a certificated credit model, currently in use in Massachusetts. The state is not limited to these options; however, based on our review, these options would provide a substantial increase in efficiency.

Appropriated funding is the most efficient option

Appropriations through a state agency to fund low income housing projects, eliminating the use of state tax credits, would be the simplest and most economically and administratively efficient change possible to the state's low income housing program, according to a national affordable housing research official. Tax attorneys told us not-for-profit entities would need to be involved in a direct appropriation model in order to avoid federal tax consequences and for 100 percent of the state's money to go towards the construction of low income housing. If not-for-profit entities were not used, efficiency of the program would still be improved over the current model. Appropriation funding would however subject low income housing funding to the annual budget process. Our research identified one state, Minnesota, that combined funds directly appropriated from a state agency with the federal LIHTC.

Refundable credit model is an efficient option

North Carolina has implemented a "refundable" tax credit model, which allows the state's housing agency to receive tax credit refunds which are then provided directly to developers in the form of an interest free loan. This model allows the state to provide 100 percent of the tax credit directly to the low income project without federal tax implications, according to North Carolina housing agency documents. North Carolina officials said the loans from the state's housing agency are not expected to be repaid by the developers. The IRS has provided North Carolina with a letter of ruling verifying the tax treatment of the distribution of tax credit funds in the form of a loan is legal. North Carolina's housing agency received the Exemplary Legislative Initiative award from the National Council of State Housing Agencies for the creation of the refundable model.

The refundable model has been recognized as a viable option by a national affordable housing research official as well as by researchers in Minnesota evaluating potential tax credit models to implement in that state. According to a tax attorney familiar with the refundable tax credit model, like a direct appropriation, the refundable model allows 100 percent of the state's funds to go toward the housing project, is administratively efficient and encourages higher pricing for federal LIHTCs because it doesn't carry the same tax liabilities as Missouri's current model. The tax attorney also said concerns exist regarding the tax consequences of a loan which does not require repayment. North Carolina began using this model in 2004 and no projects have reached the loan due date, so the potential impact of not repaying the loan is not known.

With the refundable model and the direct appropriation model, projects are funded with current year resources and are not paid for over time. Based on SAO analysis, assuming annual projects authorized and tax credit funding remained at current levels, the transition to a refundable model would result in an increase in redemptions in the short-term because current year credits would be used to fund current projects in addition to projects allocated credits in prior years. However, this change would reduce the long-term liabilities which result from the current tax credit model by a projected 78 percent.²³

**Certificated credit model
would provide increased
efficiency**

Using a certificated credit model,²⁴ the state of Massachusetts has seen sale prices of \$.75 to \$.80 per dollar for the state's LIHTC. Under a certificated credit model a state housing agency issues certificates investors could purchase to reduce their state tax liability. Under this model, the end investor does not join the developing partnership, but instead is purchasing a transferable asset. According to officials in Massachusetts this method makes the credit more attractive because it can be resold if the original investor cannot use it.

The majority of the price increase that results from a change to a certificated model is a result of changes in the tax treatment of the state tax credits.²⁵ As opposed to Missouri's current system where a portion of federal tax deduction is lost, the use of certificates allows investors to apply state tax

²³ In 2020, liabilities of the current system would be approximately \$2.3 billion, while liabilities under the refundable model would be approximately \$505 million.

²⁴ Vermont also uses a certificated credit model, but on a much smaller scale. Vermont officials stated they also receive pricing similar, if not higher, than Massachusetts.

²⁵ In 2004, the Massachusetts Department of Revenue requested and received a letter of ruling from the IRS which allows investors who purchase Massachusetts state credits to deduct the state credit from their federal taxes.

credits used as a deduction on their federal income taxes. A Massachusetts housing agency representative said this change also expanded the market for the state credit, increasing demand and further increasing the price.

Certificated model would require change by MHDC

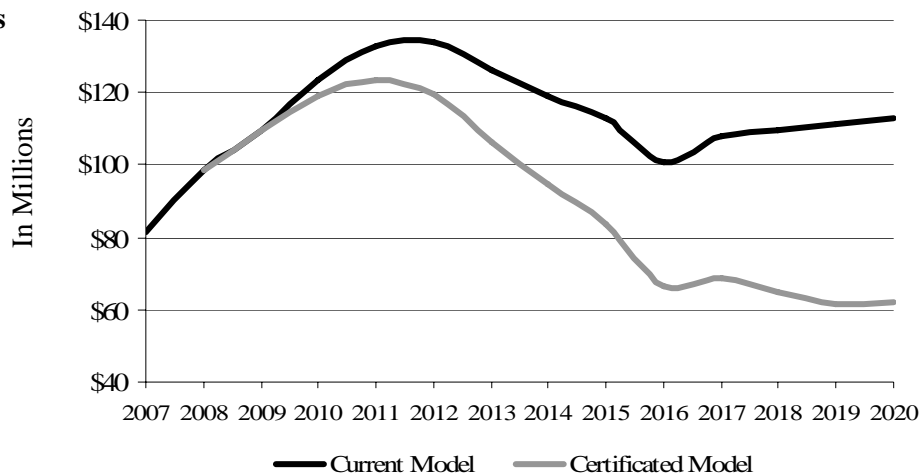
A change to a certificated model would require a change in the manner in which MHDC awards tax credits. According to interviews with a tax attorney, syndicators and other sources familiar with the system in place in Massachusetts, in order to avoid tax consequences to the development partnership, Massachusetts tax credits are issued to not-for-profit housing agencies. These agencies convert the credits into cash, without paying taxes on the transaction, prior to joining the development partnership. This process allows the partnership and its investors to avoid any federal tax consequences associated with the income provided by the state tax credits, according to a tax attorney familiar with the certificated model. According to a syndication firm in Missouri, the state would want to ensure the existing market for federal LIHTCs would not be significantly impacted. A tax attorney familiar with the certificated model told us the use of not-for-profit partners should not impact the federal tax credit partner.

Increased price for credits would result in reductions in credits awarded and redeemed

If the Missouri General Assembly changed the state's LIHTC to a certificated model, a tax attorney familiar with state tax credits told us Missouri state credits would likely sell for prices similar to what Massachusetts is obtaining (currently approximately \$.75 per dollar). Such a sale price would allow MHDC to issue half as many credits as are currently being issued, while receiving the same amount of equity for low income housing construction. For example, in 2007 MHDC awarded approximately \$176.3 million in credits which will convert into approximately \$61.7 million in equity to be used for construction, assuming a sale price of \$.35 per dollar. Assuming a sale price of \$.75 could be achieved, MHDC would only need to award approximately \$82.3 million in credits to provide the same \$61.7 million in equity for construction. This change equates to an effective financing rate of approximately 6 percent as opposed to the 20 percent financing rate achieved in the current system.

Based on achieving a price of \$.75 starting in 2010, SAO projections estimate state credits authorized through 2020 could be reduced by more than \$972 million, and estimated redemptions would be reduced by a total of \$320 million (25 percent) from 2010 to 2020. The cumulative outstanding credit estimate would also be reduced by \$652 million (28.5 percent). Figure 2.3 depicts actual LIHTC redemptions for 2007 and projected redemptions for 2008 through 2020 for both the current tax credit model and a certificated model. Based on our projections, a change to a certificated credit model would result in an average annual reduction in redemptions of \$32 million from 2010 to 2020.

**Figure 2.3: Projected Redemptions
2008 - 2020²⁶**



Source: SAO projections.

Conclusions

The lack of statutory tax credit issuance limits and MHDC's use of the full 100 percent state match of the federal credit have resulted in Missouri's LIHTC program being among the most costly in the nation on a per capita basis. The lack of a sunset provision in state law has also allowed the current funding level to continue without legislative attention. In addition, the current tax credit model is an inefficient use of taxpayer dollars. For every dollar of LIHTCs issued, approximately \$.35 goes towards construction of housing, while \$.65 goes to investors, syndicators, and to pay for increased federal taxes which result from using the state credit. Because of the inherent federal tax inefficiencies that exist currently, the efficiency of the current model cannot be significantly improved. However, requiring developers to competitively price state and federal LIHTCs would help ensure a fair market rate is being obtained.

To achieve significant improvements to the efficiency of the tax credit model, state law would have to be modified. Modifying state law to allow for a refundable tax credit, such as in use in North Carolina, would eliminate the need for state credits to be bought and sold in an open market and would increase the efficiency of the program. However, questions regarding the tax treatment of the loans from North Carolina's housing agency would need to be addressed. Modifying state law to allow a certificated LIHTC model which utilizes not-for-profit housing entities, such as the model in place in Massachusetts, would eliminate the federal tax consequences of the current

²⁶ The graph results also assume federal low income housing credits available will follow past growth patterns and low income construction activity remains consistent with 2008 levels.

model, increase demand for Missouri's state credits and would result in significantly higher prices being paid for state credits. Both models would result in more tax credit dollars being used for the construction of housing, giving the state a significantly higher return on its tax credit investment. These changes could be made without significantly disrupting the federal LIHTC market already in place. If Missouri wishes to continue to make significant investments in low income housing, steps need to be taken to ensure state funds are invested as efficiently as possible.

Recommendations

We recommend the General Assembly:

- 2.1 Evaluate implementing a limit on the amount of LIHTCs that can be awarded annually.
- 2.2 Establish sunset provisions in state law to ensure the LIHTC receives periodic legislative attention.
- 2.3 Evaluate changing the Missouri LIHTC to a model that will provide more tax credit equity to projects which may include models similar to the ones used in Massachusetts and North Carolina.

We recommend the MHDC:

- 2.4 Require developers to provide evidence of competitive pricing for tax credits on all projects.

Agency Comments

MHDC Comments

The following response is provided by the staff members of the Missouri Housing Development Commission and is not the response of the MHDC board of commissioners.

- 2.1 *There are currently de facto limits on the state LIHTC. The 9% credits are statutorily limited (RSMo. §135.352) to 100% of the federal LIHTC program, which in turn is limited in federal law to an annual allocation. The 4% credits are also limited to 100% of the federal credit and are additionally limited to those projects receiving tax-exempt bond financing from the Department of Economic Development. It is important to note that tax-exempt bond financing is also subject to its own annual cap set by the federal government and is split by DED among multiple competing uses resulting in sharply increased competition over the past couple of years.*

With the 100% match, the production and preservation of affordable housing is made feasible in more areas of the state; without it, only the

largest and strongest of markets could support affordable housing development. It also provides benefit to the state by facilitating higher quality construction, stronger operating performance, and amenities and social programs which translate into better viability and longer useful life for individual properties, social benefits for children and senior citizens, as well as a source of pride and increased tax base for local communities. By cutting costs up front, Missourians may shoulder additional costs in the future. A reduction in the state LIHTC would likely result in lower quality construction, increasing maintenance needs, restricting cash flow, and necessitating rent increases to cover operating costs. Over time, substantial rehabilitation may well be necessary on a more frequent schedule. Limited access to programs provided through the development and its community partners may force families and seniors to seek assistance through state-funded programs or to face homelessness or long-term nursing home care.

MHDC staff feels implementing lower limits on the amount of state LIHTC annually would reduce the social and economic benefits currently generated by the program by reducing MHDC's ability to maximize the amount of housing provided in all areas of need and to accomplish its mission of providing more than just housing.

SAO Comment

An annual dollar limit cap may require MHDC vary the percentage match by project. MHDC could elect to provide projects in rural counties or projects for the elderly with a 100 percent state credit, while metropolitan projects may need to be structured at less than the 100 percent match. This situation is what MHDC management described in the fiscal note for the legislation which increased the state limit to 100 percent.

2.2 MHDC staff understands the importance of periodic legislative review and strives to always cooperate fully with the existing legislative reviews performed by the House Budget and Senate Appropriations Committees and the Joint Committee on Tax Policy. However, sunset provisions may be counterproductive by introducing potential for major changes to the program or even its discontinuance thereby producing uncertainty in the market, inhibiting the entrance of more investors in the program and reducing potential competition and aggressive pricing. In fact, when Congress eliminated the sunset provision for the federal LIHTC in 1993, the affordable housing industry experienced a marked increase in the production of affordable units and in competition for LIHTC by both investors and developers. In a May 1, 1997, hearing before the Subcommittee on Oversight of the Ways and Means Committee, both a state housing finance agency official and a private

builder testified to a 20-cent increase in federal credit pricing when the federal LIHTC was made permanent.

2.3 MHDC staff acknowledges that the current state LIHTC program does not operate at an optimum level of efficiency, and we are convinced that improvements are possible. Commissioners and staff have been and are continuing to study ways to improve the amount of equity invested directly in each development for the amount of state credits allocated. Staff disagrees with some of the auditor's analysis and assumptions that form the underlying basis for this recommendation. We recognize the significant pricing advantages of the North Carolina and Massachusetts credit programs, but staff is concerned that our study must include careful evaluation of the potential shortcomings of each program which include the forgiveness of loans and use of non-profit entities. These shortcomings may result in adverse tax consequences and possibly contradict IRS guidelines by purposely circumventing federal tax liability.

2.4 There are many elements of a development that dictate tax credit pricing, such as developer strength, the location, type and size of the property, the strength or weakness of the proposed development, the timing and amount of investor equity pay-ins, developer guarantees, trust obtained through long-standing business relationships, potential credit adjusters, underwriting standards, local market conditions, reserve requirements, and the payment of developer fee. Staff's concern about interference with the syndication process reflects the multitude of conditions that cannot be governed or influenced by MHDC but that are contingent upon a syndicator's tolerance for risk and competition in the market. MHDC staff is committed to maintaining a minimum floor based upon market conditions and feels it is the most effective way to increase competition and positively influence pricing under the current tax credit model.

Improvements Are Needed in the Project Evaluation and Selection Process

Improvements are needed in the project evaluation and selection process because the current process does not provide sufficient details to the public. The lack of details has led to the perception that political influence impacts commission decisions. In addition, allowable project cost limits are high as compared to surrounding states and are not consistent with national guidelines. As a result, project costs are not adequately reviewed for reasonableness during the application process. Builder's fee limits also exceed national guidelines, resulting in higher project costs and more tax credits issued.

Selection Process Is Not Based on a Scoring System

MHDC staff does not create detailed documentation to disclose how projects are selected to receive state and federal tax credits. While documentation provided by staff to the commissioners for the 2008 project selection process contained more detail than in prior years, the documentation did not include a scoring system, or any other documentation to allow the commissioners or the public to see how projects compare to one another. Of the 50 states which use the federal LIHTC, 46 use some form of scoring system in their project evaluation and selection process.

While the April 2007 Blue Ribbon Panel²⁷ report did not recommend a scoring system, it did make recommendations to standardize the evaluation of each project and improve transparency in the project selection process. The report recommended MHDC specify the "guiding factors to be considered in reviewing applications," and that these factors be made available to applicants in advance. The report also recommended the MHDC address each factor in writing when evaluating each application.

MHDC staff said a scoring system is not used because they want to avoid receiving applications designed to score as many points as possible, instead of doing what was best for the project, and to avoid potential lawsuits over how projects were scored. Interviews with housing officials from six surrounding states using scoring systems identified no litigation issues over project selection.

Project cost information not disclosed prior to approval

MHDC does not disclose total project cost information to the public until after the commission votes to approve projects for the year. MHDC discloses on its website general application information for each project such as location, number of low income units and one year of the tax credits applied for, but the information does not show the total cost of the project.

²⁷ A bi-partisan panel appointed by the Governor made up of several state senators, state representatives, a former MHDC chairman, a former state auditor, and others. The Governor requested the panel review MHDC operations, specifically the transparency and efficiency of the agency, as well as ways to save the taxpayers money.

The state housing agencies of Nebraska, Nevada, Oklahoma, and Oregon include total development costs in information made public prior to project selection. Citizens expressed concern that the current process does not provide the public with adequate information to bring up concerns prior to projects being voted on. State law²⁸ allows tax credit application details to be withheld from the public until an official decision is made. According to MHDC staff, based on this law, application details made available to the public are kept to a minimum.

Perception of Political Influence Exists

The lack of public details regarding MHDC's selection process has contributed to the perception that political influence and campaign contributions to elected officials on the commission influence the project selection process. In a publicized case, a developer questioned why, during the 2007 selection process, he had fewer projects approved than other developers despite political contributions he had made.

To evaluate the source of contributions to elected officials on the MHDC, we reviewed campaign contribution data submitted to the state's Ethics Commission. The records could not be easily searched and limited information made it difficult to match specific donations to developers or developer's organizations.

Land transaction involving commission member raises concerns

A 2006 land transaction between a member of the commission and a developer who is regularly involved with low income housing developments throughout the state raised concerns of conflicts of interest and political influence. According to newspaper articles, the deal resulted in the Commissioner realizing a profit of \$780,000 on a rezoned piece of property which he had held for several months. Approximately a year after this transaction, MHDC established a committee in December 2007 to make changes to MHDC's Standards of Conduct. As of March 2008, proposed changes had not been finalized by the committee.

Allowable Project Cost Limits Are High

MHDC policy allows total replacement costs²⁹ per unit to be up to 140 percent of published HUD guidelines in the 8 metropolitan areas of the state. The use of replacement costs, which excludes the developer's fee and other syndication fees, is contrary to the National Council of State Housing Agencies (National Council) recommendation to use total development costs. Since developer's fees are typically 15 percent of replacement costs, MHDC effectively allows total development costs to be 161 percent³⁰ of

²⁸ Section 610.225, RSMo.

²⁹ Replacement costs includes construction costs, and soft costs such as loan interest, architect fees and legal fees.

³⁰ 140 percent * 1.15 = 161 percent.

HUD guidelines, which significantly exceeds cost per unit limits of surrounding states. Cost limits for metropolitan areas in Kansas, Iowa, Illinois, Oklahoma, and Arkansas³¹ allow total development costs per unit to be, on average, 97.5 percent of HUD guidelines.

For illustrative purposes, the 2007 St. Louis metropolitan area HUD development cost per unit limit for a two bedroom unit was \$157,260. Using the average cost limit of surrounding states, allowable total development costs would be \$153,329 per unit.³² Under MHDC's total development cost limit, the allowable cost would be \$253,188 per unit,³³ a difference of \$99,859 per unit.

MHDC staff could not provide documentation explaining the criteria used to designate the eight metropolitan high cost regions in the state. In addition, MHDC staff told us they have not developed a methodology to support the use of the 140 percent replacement cost limit in these 8 areas, but said the increased limit is necessary to account for increases in construction costs. However, HUD representatives told us the HUD guidelines are already annually adjusted regionally for construction cost fluctuations. MHDC staff also told us they did not feel it made sense to include developer's fees and syndication fees because the developer's fee is capped and syndication fees are not within the control of the developer. MHDC staff said if they used total development costs to assess cost limits they would have to increase the 140 percent limit to allow for the additional costs.

Based on interviews with housing agency officials in surrounding states and the cost per unit guidelines in use in those states, HUD guidelines appear reasonable. Our review of the 88 projects (9 percent only) approved between 2005 and 2007 showed project costs in Missouri are high, with costs for 48 projects (55 percent) exceeding 100 percent of the HUD guideline, and 13 of those projects exceeding 140 percent of the HUD guideline.³⁴

The following is an example of a project approved during 2007 with high costs. The project is located in southeast Missouri in a non-metropolitan area, and includes 15 single family, three bedroom homes with 1,300 square

³¹ The metropolitan areas reviewed included Des Moines, Chicago, Oklahoma City, Little Rock, and Kansas City, Kansas. We attempted to include Memphis and Louisville, but Tennessee and Kentucky use tax credit per unit limits instead of total cost per unit limits.

³² $\$157,260 \times 97.5 \text{ percent} = \$153,329$.

³³ $\$157,260 \times 161 \text{ percent} = \$253,188$.

³⁴ MHDC's exclusion of developer fees from the cost per unit limit calculation allowed all 13 projects to fall below the 140 percent limit.

feet of livable space and a two car garage. According to the developer, the houses will be constructed of primarily brick exteriors and include standard features, such as ceiling fans, washer/dryer and all appliances. Construction costs, including builders' fees, are budgeted at \$156,000 per house. Adding other project costs, including developer's fee, the total cost per house is \$246,765. This amount represents a cost of \$190 per square foot for these homes which is extremely high for residential housing. The HUD maximum allowable cost for this project was \$171,101 per unit, a difference of \$75,664 per unit or \$1.1 million for the project. The project is being financed entirely by state and federal tax credits. The homes will rent for \$435 per month.

National Council
recommends the use of
reasonable cost limits

The National Council recommends state housing agencies set a maximum allowable cost per unit standard, based on actual costs in the state or area. The National Council states the standard will be within HUD guidelines in most areas, but recognizes there may be instances in which the standard may be above or below the HUD limit. In these instances the National Council recommends the housing agency have a defined methodology to support limits exceeding the HUD guidelines. The National Council also recommends the established cost limit be published in the QAP, but not be strictly enforced. Rather, the limit would serve as a mechanism for the housing agency to ensure any developments whose costs fall above the guidelines receive additional scrutiny to ensure the additional costs are justified or reasonable.

According to a GAO report on the federal LIHTC,³⁵ California's housing agency saw a 12 percent decrease in total project costs the first year the agency adopted the HUD cost limits. The report states the majority of the decrease was in "soft" costs, such as construction financing fees and professional fees.

Construction costs are not
adequately reviewed for
reasonableness

Construction costs are not adequately reviewed for reasonableness in the application process. MHDC staff stated project costs in the 8 metropolitan areas of Missouri are considered reasonable as long as they fall below 140 percent of the HUD threshold, and do not receive additional scrutiny until the cost per unit exceeds the threshold. Separate developers of two projects with costs of \$230,000 and \$250,000 per unit told us after their applications had been submitted MHDC did not ask any questions about project costs or ask for any justification of costs. Project costs of both of these projects were

³⁵ GAO, "Opportunities to Improve Oversight of the Low-Income Housing Program," March 1997.

below the 140 percent MHDC cost limit.³⁶ Our review of projects approved from 2005 to 2007 showed no projects subject to the 140 percent cost limit exceeded the limit. While construction costs are subject to a verification process once incurred, this process does not assess the reasonableness of the expenditures, according to our interview with accountants involved with cost certification.

MHDC does not have access to contractor records

MHDC does not have access to developer support documentation, such as subcontractor invoices, either while construction is ongoing or after it has been completed. According to MHDC staff, access to documentation has been granted in the past when requested and they did not see the need to include a specific clause in developer documents. However, MHDC did not receive requested documentation on a recent project. According to MHDC staff, the addition of a clause in these documents giving MHDC staff access to project documentation would be beneficial.

Allowable builder's fee exceeds National Council recommendation

Total project costs include a builder's fee, which is made up of builder's profit, overhead and general requirements.³⁷ MHDC allows maximum builder fees which exceed National Council recommendations. Builder's fees are included in a project's qualified basis, which is used to calculate the amount of tax credits the project is eligible for. If MHDC had limited builder fees to the National Council recommended limits (discussed below) projects approved in 2005 to 2007 would have been authorized approximately \$10.5 million fewer tax credits.

The National Council recommends the use of a 6 percent profit maximum, 2 percent overhead maximum, and 6 percent general requirements maximum, for a total maximum of 14 percent of construction costs. Prior to the 2008 QAP, MHDC's maximum builder's fee has been set at 18 percent, with no specific maximums for profit, overhead or general requirements. Projects approved for tax credits from 2005 to 2007 had \$114.7 million in builder's fees, an average of 16.2 percent of construction costs and \$678,709 per project. For 2008 applications, MHDC reduced the maximum builder's fee to a total of 16 percent, which includes an 8 percent limit on profit. Both limits still exceed National Council recommendations. MHDC staff told us they reduced the builder's fee limit to 16 percent to be in line with the maximum builder's fee rate on HUD projects.

³⁶ One of these projects was located in a non-metropolitan area and was not subject to the 140 percent cost limit, however, the project costs exceeded 100 percent of the HUD guideline.

³⁷ General requirements include construction supervision, field engineering, field office expenses, building permits, temporary facilities expenses, temporary utilities, site cleanup, watchman wages, builder's risk insurance, testing, and contractor's cost certification. General requirement expenses are certified as part of the project's cost certification process.

Conclusions

MHDC does not have a standardized evaluation process. The recommendations of the Blue Ribbon panel suggest the need for additional consistency and cross-comparability in project evaluation. The development of a scoring system would allow for cross-comparability and would help MHDC to defend the projects selected to the public. Adding at least high-level cost per unit information for proposed projects to the information made public prior to project selection would help citizens understand the comparability of projects. Increased public information would help reduce concerns of political favoritism playing a role in the selection process and would improve taxpayer confidence in the tax credit allocation process.

MHDC has not implemented adequate controls over project costs. Contrary to National Council guidance, MHDC uses replacement costs to assess cost limits and has set allowable cost per unit limits higher than national standards recommend and higher than surrounding states. As a result, project costs are not adequately analyzed for reasonableness during the application process. MHDC could not provide documentation supporting the use of the increased cost limits in the eight metropolitan areas. In addition, builder's fees and developer's fees are based on a percentage of project costs. Based on these factors, MHDC has eliminated a significant motivation for developers to control proposed project costs. MHDC officials also have not ensured access to project supporting documentation once construction has started, limiting their ability to review documentation when they feel it is necessary. In addition, MHDC allows builder's fee limits in excess of National Council recommendations which increases project costs resulting in more tax credits being issued.

Recommendations

We recommend the MHDC:

- 3.1 Implement a scoring system or some other means of documenting cross-comparison of projects.
- 3.2 Improve public awareness of the project selection process by including at least high level project cost data in the information made public.
- 3.3 Base cost limit calculations on total development costs.
- 3.4 Reduce allowable project cost limits to be in-line with HUD limits. Any designation of metropolitan areas resulting in a deviation from HUD limits should be supported by a formal evaluation of construction costs.
- 3.5 Establish procedures to evaluate the reasonableness and justification of project costs which exceed project cost limits prior to project approval.

-
- 3.6 Ensure access to all developer supporting documentation by adding necessary clauses to future developer agreements.
- 3.7 Reduce the maximum builder's fee and the component part of the fee to be consistent with National Council of State Housing Agencies recommendations.

Agency Comments

MHDC Comments

The following response is provided by the staff members of the Missouri Housing Development Commission and is not the response of the MHDC board of commissioners.

3.1 MHDC staff performs a cross-comparison of projects by applying evaluation criteria presented in the FY2008 Qualified Allocation Plan and the Developer's Guide. In the 2008 NOFA process, staff provided commissioners with detailed comments concerning each application's performance against the criteria, cost comparison data, and the narratives and development and operating budget information as submitted. In 2001, MHDC staff proposed a point system, and the commissioners chose not to adopt it. In 2007, the Blue Ribbon Panel considered a point system, and decided not to recommend it. Scoring systems present limitations in the assessment of complex layers of factors such as need, economic feasibility, local support, market conditions, developer strength, alternate sources of financing, project amenities, family vs. elderly needs, and regional distribution. These systems give a false sense of objectivity to a process that inherently includes some level of subjectivity in the evaluation of complex factors. Scoring encourages developers to focus on proposals that score well as opposed to what is best for the community.

3.2 MHDC staff agrees with the importance of transparency in public programs, but is concerned that providing the total development cost of each application for public review will not assist citizens or officials in creating reasonable assumptions about the competitiveness of each proposal. In fact, this information would likely be counterproductive without the contextual information necessary to adequately understand a specific transaction. Total development cost is influenced by the type of construction, the local market, proposed amenities, local competition, site issues, proposed social service components, Union/non-Union labor, and program requirements such as prevailing wage. Without the benefit of detailed application information or familiarity with the ramifications of these factors, the usefulness of total development cost information is limited. MHDC staff appreciates the suggestion to improve public awareness and shall develop a report providing

important cost and development data grouped appropriately to provide public awareness without creating misleading assumptions or confusion about an application's true competitiveness. Any consideration of the disclosure of information in pending applications must be balanced against the requirements of the Sunshine Law.

- 3.3 In utilizing total replacement costs, MHDC is operating within IRS or HUD regulations. Basing limits on the total development cost is problematic because it includes factors that may vary considerably from project-to-project. MHDC staff has chosen to use total replacement cost which eliminates developer fees, syndication costs, tax credit fees, and reserves from the calculation. Syndication costs and reserves do not lend themselves to objective comparison from development-to-development as it is subject to the standards of particular syndicators as well as the location, size, and other aspects of individual developments which may require greater lease-up reserves, operating reserves, or emergency reserves in order to attract equity investment. A developer might also wish to fund tenant initiatives or social service reserves which are of great benefit to residents and should not be seen as a detriment to the competitiveness of the proposal.*

Developer fees are already subject to a limit, and MHDC staff is planning changes to the maximum allowed fee for consideration by the commissioners for the FY2009 Qualified Allocation Plan.

The additional room provided by basing the limit on the total replacement cost allows MHDC and the owner to invest in higher quality, more durable materials, stronger operating performance, and beneficial amenities which results in less cost for maintenance and rehab in the long-term, higher quality of life for residents, community pride and acceptance, the ability for children to have access to social programs expanding their future, and the opportunity for seniors to age-in-place in a supportive environment. Increased cost at the front end will lessen future rehab costs, depressed properties, or need for resident access to state-funded programs related to homelessness or nursing home care.

- 3.4 MHDC staff disagrees with the auditor's premise that MHDC's current limits are outside of currently allowed practice. HUD appropriations legislation for 2008 included an increase in the high cost factor to 170%, which appears to recognize that the base limits are not keeping pace with costs of construction in major metropolitan areas. Further, the federal legislation allows for an increase up to 215% of base limits for properties on a case-by-case basis.*

IRS code is silent on the topic of project cost limits and affords state housing finance agencies the authority to limit project costs to those that are feasible to bring a project to completion. MHDC staff has chosen to allow the higher limit in metropolitan areas as allowed by accepted practice in order to participate meaningfully in the revitalization and redevelopment of urban areas which has resulted in demonstrated economic growth and subsequent private investment in areas such as St. Louis, Kansas City, St. Joseph, Springfield, and Joplin. The effect of raising the ceiling on costs in St. Louis, Kansas City, and the other HUD-recognized metropolitan statistical areas does not result in enriched developers or extravagant properties. Instead, it fosters quality and longevity of bricks and mortar, better living conditions for families and seniors, beneficial amenities, and investments in communities that are sources of pride and generators of further development the benefit of which cannot be fully measured. Further, by doing so MHDC is operating within the IRS and HUD guidelines. Both the IRS and NCSHA recognize the right and necessity for each state to determine cost standards that are appropriate to its market and mission.

SAO Comment

The audit report does not suggest MHDC's cost limits are more than what is allowable. As MHDC's response acknowledges above, HUD regularly updates its allowable cost limits by updating its "cost factors." This means HUD multiplies the base cost limit (which never changes) by a cost factor (i.e., 170 percent), which is updated regularly to reflect changes in construction costs, to determine the HUD cost limit for each region. As stated in the text of the report, MHDC then multiplies the HUD cost limit by 161 percent to determine the MHDC cost limit. Effectively, MHDC's cost limit is 161 percent on top of HUD's cost factor, which can be as much as 170 percent. While it is within MHDC's power to establish a cost limit considered necessary, we do not believe the current limit is reasonable.

3.5 MHDC staff already tests development proposals against cost limits and reports applications that exceed the limits to commissioners during the evaluation process. Staff shall document specific reasons that support approval or denial of an application based upon the factors contributing to the additional cost. Staff shall also develop additional methods for project evaluation such as the utilization of RS Means construction cost data and cost estimation software.

3.6 MHDC staff will revise its developer agreements to document its authority to request and receive supporting documentation during the final allocation review process.

3.7 MHDC staff does not feel its current builder's fee limits to be excessive, especially considering additional contractor requirements related to workforce eligibility compliance which are not contemplated in the NCSHA recommendation. While many states have adopted a 14% maximum, others allow up to 16%, 18%, and even 20%. Staff is currently considering other ways to limit costs in its FY2009 Qualified Allocation Plan.

Opportunities Exist to Improve Program Administration

Weaknesses exist in the state's procedures and laws regarding recapture of LIHTCs. These weaknesses may have resulted in tax credits subject to recapture not being recaptured and unnecessarily limit the recapture period. In addition, MHDC has not developed long-term low income housing needs or goals to help plan future program activity, and the economic activity resulting from the state LIHTC has been overstated. Also, MHDC has not developed a process to notify and assist tenants when projects begin conversion to market-based rates.

Weaknesses in Tax Credit Recapture

Procedures evaluating compliance with LIHTC recapture requirements need improvement and Missouri's recapture law needs evaluation. These situations have occurred because (1) MHDC had not reported taxpayers receiving LIHTCs with project compliance violations to the DOR for follow-up, and (2) state law limits the recapture period to only the first 10 years of a minimum 15-year compliance period.

MHDC and DOR lacked sufficient communication

Lack of communication between MHDC and DOR has resulted in LIHTCs potentially not being recaptured. State law³⁸ provides for state tax credit recapture during the first 10 years after projects are placed in service. The recapture amount is to be based on the amount of federal credits recaptured on the project. However, prior to our audit, MHDC did not provide information to the DOR on projects with compliance violations for DOR officials to evaluate whether taxpayers recaptured state LIHTCs when their federal credits had been recaptured. A MHDC official said MHDC staff had not communicated project non-compliance information to DOR in prior years because IRS and DOR privacy rules blocked or restricted access to taxpayer information and MHDC staff did not know what IRS information DOR staff had access to.

MHDC staff perform regular compliance review on all LIHTC projects and report violations to the IRS. The IRS determines whether federal credits will be recaptured based on the non-compliance reported. MHDC cannot obtain specific taxpayers information (i. e., amount of recaptured credits) from the IRS due to confidentiality restrictions. However, the DOR has an agreement with the IRS for access to federal tax information.

In August 2007, MHDC and DOR initiated the development of a memorandum of understanding that would provide for communication between MHDC and DOR regarding when MHDC submits information to the IRS for non-compliant projects. DOR officials said MHDC staff is now providing the department with information on non-compliant projects and

³⁸ Section 135.355, RSMo.

LIHTC recapture has been limited

DOR will be using that information to monitor when state tax credits should be pursued for recapture.

Taxpayers are to report recaptured LIHTCs on their state tax returns. For the period fiscal year 2000 to 2007, DOR reported to us that only about \$38,000³⁹ in credits had been recaptured.⁴⁰ A DOR official said the department performed no procedures to identify if all LIHTCs subject to recapture had been reported by taxpayers during this period.

To identify LIHTC projects with tax credits subject to recapture, we obtained information on violations reported by MHDC to the IRS from 2003 to 2007. We also obtained information from the IRS of the types of violations which generally cannot be corrected and likely are subject to tax credit recapture. Our review of 23 projects with difficult to correct violations identified at least 2 with the non-compliance occurring within the first 10 years of the project with recapture of federal and state tax credits being likely.

IRS confidentiality restrictions also prevent the IRS from providing taxpayer information to the SAO. We attempted to contact the project developers and investors to identify if credits had been recaptured on these projects. For one of the projects, we identified \$27,692 in federal credits subject to recapture with \$12,943 in state credits⁴¹ also subject to recapture. The aggregate recapture data reported to us by DOR by fiscal year did not report a recapture amount near this amount after fiscal year 2002. The project became non-compliant in 2004 and recapture would have taken place after that time. As of January 2008, the investor told us his company's staff was researching if these credits had been recaptured. As of early 2008, MHDC officials said DOR staff was reviewing tax credit recapture on both projects.

Missouri recapture period limited

Missouri's LIHTC recapture period is less than the recapture period for the federal LIHTC. State law⁴² provides for state tax credit recapture the first 10 years after projects are placed in service, although Section 42 of the Internal Revenue Code requires project compliance over 15 years and federal credit recapture for the entire 15-year compliance period. As a result, if property

³⁹ DOR officials said the amount could be up to \$6,296 higher; however, their records did not distinguish whether recapture of the other monies related to the LIHTC program or other programs.

⁴⁰ DOR provided the SAO aggregate information for this period. As discussed on page 12, the SAO is restricted from access to specific state taxpayer records.

⁴¹ State tax credits only matched 40 percent of federal credits on this project.

⁴² Section 135.355, RSMo.

owners fail to comply with tax credit requirements, after 10 years, the state has no recourse with regard to recapture of state credits for the remainder of the 15-year compliance period.

In contrast to Missouri law, some other states require tax credit recapture over the entire 15-year compliance period. For example, Massachusetts LIHTC policy states LIHTCs allocated with respect to a project are subject to recapture (and disallowance to the extent not yet claimed) at any time during the 15-year compliance period if the project is subject to recapture of federal LIHTCs. The policy further describes the amount of tax credit to be recaptured, the timing of recapture, and provides examples of recapture. In addition to Massachusetts, at least two other states, Georgia and Hawaii, require state tax credit recapture over the entire 15-year compliance period.

Long-term Plans and Goals Have Not Been Developed

MHDC has not developed a strategic plan to assess long-term low income housing needs and establish long-term low income housing goals to measure performance. According to Office of Administration strategic planning literature, performance measurement is the process of assessing progress toward achieving predetermined goals and provides a framework to help allocate and prioritize resources. For these reasons, in 2005 the Governor ordered state agencies to develop long-term strategic plans and goals and measure progress. Currently MHDC only uses annual plans which focus primarily on internal operational goals and does not consider long-term needs and goals.

MHDC provided audit staff with a document which attempted to show which areas of the state had an increased housing need; however, the document was several years old and had limited usefulness, according to MHDC staff. MHDC staff said they did not feel such planning is necessary because MHDC has a significant amount of experience in the Missouri low income housing market and the housing needs of the state.

Economic Impact Reported for the LIHTC Is Overstated

The economic impact being reported to the legislature regarding the LIHTC is overstated. The economic impact of tax credit programs is reported annually to the legislature as part of the state budget process. The fiscal year 2009 analysis for the LIHTC shows for fiscal year 2007 the credit returned \$.56 in state revenue for every dollar spent, created \$213.2 million in new economic output, and created approximately 7,700 new jobs. Department of Economic Development staff prepare the cost-benefit analysis for MHDC based on information and assumptions provided by MHDC staff. A June 2007 cost/benefit study⁴³ completed at the request of MHDC also concluded

⁴³ John Cook, CPA et. al., "Cost/Benefit Analysis of the Missouri Low-Income Housing Tax Credit Program," BKD, LLP in cooperation with Missouri State University, June 2007.

the state LIHTC produced significant economic activity, including \$6.5 billion in economic activity from 2000 to 2005.

Based on our interview with the individual who performed the economic impact portion of the 2007 cost/benefit study, the economic impact reported is at the very high end of what can be attributed to the LIHTC. The economic impact currently reported to the legislature and reported in the June 2007 cost/benefit study; assume no low income housing construction would take place if not for the state credit. However, the federal LIHTC is available to the state even if a state LIHTC did not exist. According to the individual who performed the study, the number of projects which would be built if the state credit did not exist is likely lower than what is currently being built, but it is undetermined how much lower. The report also stated "some level of housing production would occur without the state or federal credits and this must be taken into consideration." The individual also said construction employees may be double counted in the analysis from year to year and would likely work elsewhere in the absence of low income housing production, but he could not estimate the impact. Many states are able to produce low income housing without a state credit. For example, a report issued during 2007 by the Kansas Legislative Auditor said the state of Kansas produced an average of 804 units of low income housing per year from 2004 to 2007, despite not having a state LIHTC.

The budget document provided to the legislature reports the state credit allows rents to be \$155 per month cheaper than they otherwise would be without the credit. The amount is determined by analyzing the amount of additional debt financing projects would have needed if not for the state credit. However, this result would require the same developments to be built under the current system as would be built if the state LIHTC did not exist. Based on comments from MHDC staff, this assumption is not reasonable because the additional costs related to construction quality and project location would make the developments financially unfeasible without the state credit.

Project Conversion Impacts Tenants

MHDC has no policy requiring developers notify tenants when low income housing projects are being converted by developers to market-based housing or to aid tenants in relocation. After 15 years low income housing projects may be eligible⁴⁴ for conversion to market-based rents if the property owner chooses to opt out of the low income housing program. Federal law provides for a 3-year transition period for tenants as the property converts to market-based rates. However, property owners are not required to immediately

⁴⁴ Depends on the other types of financing besides tax credits used on the project and other conditions.

notify tenants, when conversion is initiated, that they will be subject to higher rents after the transition period or be forced to move. Also tenants choosing to move are not provided any relocation assistance. A MHDC official said MHDC management had not thought about the potential effect of no notification and relocation assistance requirements because conversions are just starting to take place and have not been an ongoing process.

The federal LIHTC began in the mid to late 1980's. As a result early projects have just recently become eligible for conversion. At the end of 2007, Missouri had 190 projects eligible for conversion with 7 projects currently in the conversion process. The number of projects eligible for conversion will continue to increase each year as more projects reach conversion eligible time limits.

Conclusions

Missed recaptured tax credits result in lost revenue for the state. Until 2007, MHDC and DOR did not communicate regarding potential recaptured state LIHTCs resulting in tax credits potentially not being recaptured. The planned communication now taking place should help ensure credits are appropriately recaptured. In addition, Missouri's tax credit recapture period of 10 years unnecessarily limits recovery of state LIHTCs since minimum project compliance periods are 15 years for LIHTC projects.

Without strategic goals it is difficult to prioritize resources and to assess the state's potential long-range housing needs and the costs. A strategic plan would help clarify how much low income housing is in place, and how much is still needed. A strategic plan would also help to ensure legislators are aware of how much future liability the state can expect to incur to fund housing goals.

Inaccurate or misleading cost-benefit program analyses provided to MHDC and the General Assembly have limited the ability to evaluate the cost-effectiveness of the program. The economic impact of the state LIHTC is overstated because both budget documents and a cost-benefit study contracted for by MHDC assume no projects would be completed if not for the state tax credit. This assumption is not reasonable because if a state credit did not exist low income housing would be built in Missouri with at least the federal LIHTC as occurs in other states that do not have state LIHTCs. To measure the benefit of the state credit the additional housing produced with the assistance of the state credit would need to be identified and analyzed. Also estimates of the reduced rents resulting from the state tax credit are misleading because the estimates assume the same project would have been built if the credit did not exist which may or may not be true.

Tenants may be financially harmed when LIHTC projects convert to market-based rates. Currently tenants do not receive specific notification or relocation assistance when the conversion takes place. These issues will become more of a concern as additional projects become eligible for conversion.

Recommendations

We recommend MHDC and DOR:

4.1 Work together to ensure state LIHTCs subject to recapture are being recaptured.

We recommend the General Assembly:

4.2 Change state law to extend the recapture period for LIHTCs to 15 years from the current 10 years.

We recommend MHDC:

4.3 Develop a strategic plan to assess long-term low income housing needs of the state, establish long-term low income housing goals and measure the agency's progress towards those goals.

4.4 Provide a more accurate cost-benefit analysis to the General Assembly annually as part of the state budget process.

4.5 Develop policies that require owners of LIHTC projects to timely notify low income tenants when their properties are being converted to market-based rents. In addition, establish a program to provide relocation assistance to low income tenants who lose their housing because of the conversion.

Agency Comments

MHDC Comments

The following response is provided by the staff members of the Missouri Housing Development Commission and is not the response of the MHDC board of commissioners.

4.1 MHDC staff is pleased to have developed a process with the Department of Revenue to report instances of non-compliance that may result in federal recapture of low-income housing tax credits, thus triggering recapture of state low-income housing tax credits. Since regulations concerning taxpayer privacy prevent MHDC from direct access to recapture information from either the IRS or DOR, our ability to participate in the process is limited. The partnership between MHDC and DOR has resulted in MHDC utilizing the authority of RSMo.

§610.032 to present an executive agency request to DOR for disclosure of certain confidential information to executive agencies necessary to allow the agency to perform its constitutional or statutory duties. We intend to utilize the information for internal evaluation of owner and management performance and participation in the low-income housing tax credit program.

4.2 MHDC staff does not support this recommendation, as the additional five years of exposure beyond the ten years the credit is available will have the effect of chilling the interest of potential investors, thus decreasing competition for investment opportunities and negatively affecting the equity investment in the credit. The increased recapture period would not produce a positive impact on the efficiency of the credit.

4.3 Long-term plans and goals including our five-year strategic financial plan have been a part of our annual planning sessions for at least the last ten years. Staff has been compiling and monitoring component data that can be consolidated into a formal housing plan. We currently track or have access to data on approximately 100,000 affordable units in the state. MHDC staff is intimately involved in the state homeless study, the biannual homeless count, and the housing portion of the state's annual action plan and five-year consolidated plan. We recently sponsored and facilitated the senior housing study.

Every year, we plan carefully our priorities for addressing the most pressing affordable housing needs in the state which are well-established and outlined in the Qualified Allocation Plan. Presently, these priorities are: the preservation of housing with project-based rental assistance, the preservation of other existing affordable rental housing stock, the revitalization of neighborhoods and communities through historic preservation, the construction of workforce housing in areas with significant population and economic growth, and the production of single-family homes with homeownership opportunities made available to existing residents at the end of the 15-year compliance period.

MHDC staff recognizes that a formal plan with the above-referenced priorities and goals accompanied by measurable outcomes may be a more effective tool to communicate our long-term strategy and demonstrated progress to our commissioners, the legislature, communities, developers, service agencies, and the general public. Staff is committed to proceed with the development of a formal long-term plan which we project to have in place during FY2009.

4.4 *MHDC staff has followed standard procedures in the development of the cost-benefit analysis reported on the Form 14s. All DED tax credit programs are analyzed by MERIC using the REMI model. Staff feels the biggest challenge is the fact that the REMI model is meant to measure economic benefits, while the state LIHTC is largely a social program unable to be accurately captured by this method. This is why the Form 14s have historically provided additional qualitative data on other benefits. Staff will use its best efforts to isolate benefits that can be specifically attributed to the state low-income housing tax credit. The challenges in doing so are great, considering there is no accurate way to project what could have occurred if the state credit was not available. We can generalize that the state credit allows us to create more units, with more development available in rural areas, and makes 4% credit financing structures possible outside metropolitan areas.*

4.5 *MHDC staff appreciates the recommendation for resident notification of conversion. We are in the process of implementing a process for requiring owners preparing for conversion to provide proof of resident notification of their intentions and tenant protections during the three-year period following conversion. Such proof will be required to be included in the qualified contract application package that must be submitted to MHDC in Year 14 for review and approval. Staff shall further require owners to transmit a second notice prior to conversion that informs residents that conversion is imminent and establishes the date three years in the future at which tenant protections against market-based rents shall expire. Staff is also implementing a requirement that a standard provision addressing this matter be incorporated into every tenant lease for LIHTC properties.*

MHDC staff does not see the need to implement relocation assistance requirements for displaced residents at the end of the three-year period following conversion. Current occupancy data in rural and metropolitan areas demonstrates an average annual turnover of 30% in properties of all types. Because the resident population is relatively mobile, the impact of the expiration of affordable rents for residents who were occupants at conversion three years prior will not be as great as the auditor may have assumed. In an informal poll of state housing finance agencies, only two of 34 respondents require relocation assistance to be provided to low-income residents at the expiration of affordability.

DOR Comments

4.1 The department concurs. MHDC began providing the department information on projects with compliance violations in September 2007. The department reviews 2007 returns as filed to identify state tax credits that have not been appropriately captured.

Missouri Low Income Housing Tax Credit Activity

Table I.1 shows the authorized, redeemed and outstanding or pending issuance LIHTCs for the period July 1, 1993 to June 30, 2007. Data for previous periods could not be provided.

Table I.1: Low Income Housing Tax Credits Authorized, Redeemed, and Outstanding or Pending Issuance by Fiscal Year

Fiscal Year	Tax Credits		
	Authorized	Redeemed by Fiscal Year	Cumulative Outstanding or Pending Issuance ²
1994	\$22,027,870	55,706	21,972,164
1995	22,862,860	646,237	44,188,787
1996	30,106,140	1,072,649	73,222,278
1997	54,177,540	2,027,362	125,372,456
1998	85,806,200	2,907,544	208,271,112
1999	101,367,660	4,323,281	305,315,491
2000	80,455,840	10,105,111	375,666,220
2001	113,735,120	12,368,170	477,033,170
2002	125,558,880	19,474,343	583,117,707
2003	134,388,920	29,978,473	687,528,154
2004	202,644,630	36,916,831	853,255,953
2005	183,106,160	65,392,601	970,969,512
2006	273,640,430 ¹	61,963,798	1,182,646,144
2007	169,445,790 ¹	81,646,784	1,270,445,150
Total	\$1,599,324,040	328,878,890	

¹ Credits are issued upon completion and occupancy for an approved project which can take up to 2 years for most projects. Few if any credits have been issued for 2006 and 2007 approved projects as of January 2008. Issued credits for a project may be slightly more or less than the amount authorized for the project.

² The \$1.27 billion in outstanding credits may include some credits which are no longer eligible for redemption due to time expiration or project non-compliance. Current law does not require the DOR to maintain this information.

Source: MHDC and DOR data, and SAO analysis.

Per Capita Low Income Housing Funding by State

Based on interviews with other state housing agencies we determined the amount of state LIHTCs awarded in 2007. Using 2007 Census Bureau population figures, we calculated per capita state housing funding as shown in Table II.1.

Table II.1: Per Capita State LIHTC Awards by State - 2007

State	Credits Awarded	2007 Population	Per Capita
Virginia	\$500,000	7,642,884	.07
Utah	870,000	2,550,063	.34
Arkansas	2,416,520	2,810,872	.86
New York	31,000,000	19,306,183	1.61
California	87,246,906	36,457,549	2.39
Vermont	1,500,000	623,908	2.40
Massachusetts	20,000,000	6,437,193	3.11
North Carolina	35,000,000	8,856,505	3.95
Georgia	207,891,900	9,363,941	22.20
Missouri	176,325,850	5,842,713	30.18
Hawaii	39,276,290	1,285,498	30.55

Source: Interviews with other state housing agency officials and MHDC records.

The credit amount represents the annual tax credit awarded multiplied by the duration of the tax credit. State LIHTCs are typically 10 year credits (10 percent redeemable each year for a period of 10 years), with the exceptions being North Carolina (1 year), Virginia (1 year), California (4 years), Vermont (5 years), and Massachusetts (5 years). Oregon officials could not provide information on 2007 state housing credits awarded, resulting in the state being excluded from this analysis. Oregon's per capita cost would be minimal because Oregon state law limits the cumulative total amount of state credits outstanding to \$20 million. We also could not obtain information from Tennessee officials to calculate per capita information.

Tax Credit Review Status

Table III.1 shows the statewide tax credit programs and the SAO review status of each program.

Table III.1: Tax Credit Programs and Review Status

Program	Administering Department	Report Number for Review
Missouri Low Income Housing	Economic Development	2008-23
Wood Energy	Natural Resources	2007-58
New Generation Cooperative Incentive	Agriculture	2007-06
Agricultural Product Utilization Contributor	Agriculture	2007-05
Community Development Corporation/Bank	Economic Development	2005-55
(Capital) Small Business Investment	Economic Development	2005-54
Certified Capital Companies (CapCo)	Economic Development	2004-56
New Enterprise Creation	Economic Development	2004-56
Adoption (Special Needs)	Revenue	2004-13
Community College New Jobs Training Bonds	Economic Development	2003-32
Brownfield Jobs/Investment	Economic Development	2002-33
Brownfield Remediation	Economic Development	2002-33
Historic Preservation	Economic Development	2002-33
Qualified Research Expense	Economic Development	2002-33
Seed Capital	Economic Development	2002-33
Youth Opportunities and Violence Prevention	Economic Development	2002-33
Film Production	Economic Development	2001-13
Rebuilding Communities	Economic Development	2001-13
Small Business Incubator	Economic Development	2001-13
Winery and Grape Growers	Economic Development	2001-13
Affordable Housing Assistance	Economic Development	To Be Reviewed
Bank Franchise	Revenue	To Be Reviewed
Bank Tax Credit for S Corporation Shareholders	Revenue	To Be Reviewed
Brownfield Demolition	Economic Development	To Be Reviewed
BUILD Missouri Bonds	Economic Development	To Be Reviewed
Business Facility	Economic Development	To Be Reviewed
Cellulose Casings	Revenue	To Be Reviewed
Charcoal Producers	Natural Resources	To Be Reviewed
Children in Crisis	Revenue	To Be Reviewed
Development	Economic Development	To Be Reviewed
Disabled Access	Revenue	To Be Reviewed
Domestic Violence	Social Services	To Be Reviewed
Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Enterprise Zone	Economic Development	To Be Reviewed
Examination Fees and Other Fees	DIFP	To Be Reviewed
Family Development Account	Economic Development	To Be Reviewed
Family Farm ¹	Agriculture	To Be Reviewed

Appendix III Tax Credit Review Status

Program	Administering Department	Report Number for Review
Food Pantry Donation ²	Revenue	To Be Reviewed
Guarantee Fee	Economic Development	To Be Reviewed
Homestead Preservation	Revenue	To Be Reviewed
Life and Health Guarantee Association	DIFP	To Be Reviewed
Maternity Home	Social Services	To Be Reviewed
MDFB Development and Reserve	Economic Development	To Be Reviewed
MDFB Export Finance	Economic Development	To Be Reviewed
MDFB Bond Guarantee Credit	Economic Development	To Be Reviewed
MDFB Infrastructure Development	Economic Development	To Be Reviewed
Missouri Health Care Access Fund ²	Revenue	To Be Reviewed
Missouri Health Insurance Pool	DIFP	To Be Reviewed
Missouri Property and Casualty Guarantee Association	DIFP	To Be Reviewed
Missouri Quality Jobs	Economic Development	To Be Reviewed
Neighborhood Assistance	Economic Development	To Be Reviewed
Neighborhood Preservation	Economic Development	To Be Reviewed
New Enhanced Enterprise Zone	Economic Development	To Be Reviewed
Pharmaceutical	Revenue	To Be Reviewed
Pregnancy Resource Center ¹	Social Services	To Be Reviewed
Property Tax	Revenue	To Be Reviewed
Qualified Equity Investment ²	Economic Development	To Be Reviewed
Residential Treatment Agency ¹	Social Services	To Be Reviewed
Retain Jobs	Revenue	To Be Reviewed
Self-employed Health Insurance ²	Revenue	To Be Reviewed
Shared Care	Health and Senior Services	To Be Reviewed
Sponsorship and Mentoring Program	Elementary and Secondary Education	To Be Reviewed
Transportation Development	Economic Development	To Be Reviewed

¹ New tax credit in fiscal year 2007. No activity reported on Appendix IV.

² New tax credit in fiscal year 2008.

Source: SAO.

Tax Credit Redemptions

Table IV.1 shows the redeemed tax credits for fiscal years 2004 through 2007 for all state tax credit programs. We did not audit the information.

Table IV.1: Tax Credit Redemptions by Program

Program	Fiscal Year			
	2004	2005	2006	2007
Adoption (Special Needs)	\$1,995,882	2,582,546	2,460,245	2,931,967
Affordable Housing Assistance	7,554,503	7,702,860	4,080,564	10,497,793
Agricultural Product Utilization Contributor	1,964,872	1,639,541	1,857,235	2,248,989
Bank Franchise	1,596,458	2,543,523	2,413,631	1,771,165
Bank Tax Credit for S Corporation Shareholders	1,233,830	941,460	1,451,903	1,248,932
Brownfield Jobs/Investment	2,134,891	1,726,687	1,476,143	1,701,409
Brownfield Remediation/Demolition	16,101,975	10,627,870	10,611,324	16,733,274
BUILD Missouri Bonds	9,667,000	3,770,557	5,402,416	6,958,318
Business Facility	7,826,417	4,546,330	5,892,727	6,066,136
Cellulose Casings	429,480	382,540	341,315	574,180
Certified Capital Companies	13,564,932	13,371,610	13,164,904	13,121,442
Charcoal Producers	0	384,609	70,151	180,987
Children in Crisis	n/a	n/a	n/a	168,128
Community Development Corporation/Bank	1,632,669	2,021,628	34,870	2,958
Community College New Jobs Training Bonds	8,061,584	6,847,304	5,771,777	4,920,374
Development	562,622	2,487,152	4,518,483	2,100,685
Disabled Access	87,401	56,761	36,549	11,813
Domestic Violence	475,283	515,035	525,348	696,670
Dry Fire Hydrant	13,169	17,228	805	3,737
Enhanced Enterprise Zone	n/a	9,809,254	5,922,720	6,646,873
Enterprise Zone	19,766,366	15,485,501	14,759,891	13,202,069
Examination Fees and Other Fees ¹	5,844,206 ²	4,962,341 ²	5,413,885	4,881,750
Family Development Account	27,488	12,875	9,237	11,761
Film Production	423,857	322,079	788,596	1,240,972
Guarantee Fee	0	11,224	73,009	68,607
Historic Preservation	66,089,980	74,532,355	103,134,226	132,841,728
Homestead Preservation	n/a	n/a	n/a	2,932,514
Life and Health Guarantee Association ¹	177,712	302,516	4,910	0
Maternity Home	982,747	743,636	760,674	983,509
MDFB Bond Guarantee Credit	0	594,034	0	276,241
MDFB Development and Reserve	0	1,500	0	500
MDFB Export Finance	0	0	0	0
MDFB Infrastructure Development	10,020,578	25,953,799	21,858,725	24,706,809
Missouri Business Modernization and Technology (Seed Capital)	288,174	164,894	60,313	82,977

Appendix IV Tax Credit Redemptions

Program	Fiscal Year			
	2004	2005	2006	2007
Missouri Health Insurance Pool ¹	3,687,665	3,688,639	5,497,999	3,672,701
Missouri Low Income Housing	36,916,831	65,392,601	61,963,799	81,646,784
Missouri Property and Casualty Guarantee Association ¹	16,823,462	16,959,512	6,019,763	5,754,394
Missouri Quality Jobs	n/a	n/a	0	1,715,530
Neighborhood Assistance	10,217,628	9,286,880	10,009,497	13,924,340
Neighborhood Preservation	4,001,293	8,461,503	4,627,368	5,549,062
New Enterprise Creation	3,259,307	2,504,561	1,534,647	1,048,997
New Enhanced Enterprise Zone	n/a	n/a	n/a	5,188
New Generation Cooperative Incentive	3,466,068	3,334,935	4,990,666	4,136,380
Pharmaceutical	524,527	142,373	1,672	n/a ³
Property Tax	95,237,314	99,455,570	96,090,703	93,118,747
Qualified Research Expense	2,038,230	1,626,864	1,006,688	487,320
Rebuilding Communities	1,415,889	1,694,006	1,764,167	1,390,803
Retain Jobs	n/a	0	2,882,995	4,285,366
Shared Care	39,109	33,574	39,247	105,757
Small Business Incubator	167,360	246,807	322,278	179,368
Small Business Investment (Capital)	49,478	109,050	58,189	66,720
Sponsorship and Mentoring Program	0	0	0	0
Transportation Development	3,678,532	3,545,219	980,806	910,421
Winery and Grape Growers	260,397	179,323	69,564	174,736
Wood Energy	1,205,443	3,700,285	3,728,100	2,709,211
Youth Opportunities and Violence Prevention	3,272,225	3,211,185	3,256,950	4,893,591
Total	\$364,784,834	418,634,136	417,741,674	485,590,683

¹ Redemptions are on a calendar year rather than fiscal year and based on tax year credit was applied against.

² Until the fiscal year 2007 budget process the amount reported by the DIFP for this credit was only the examination fee portion and not the other taxes and fees for which credits were also redeemed.

³ The Pharmaceutical tax credit expired in 2001 and tax credits are no longer being redeemed.

Source: Office of Administration, DOR, and tax credit administering agencies.



Susan Montee, CPA
Missouri State Auditor

Senate Bill 40 Boards



April 2008
Report No. 2008-22

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

April 2008

A review was conducted by our office of Senate Bill 40 Boards.

Senate Bill 40 (SB40) Boards administer and establish and/or operate sheltered workshops, residence facilities, and/or related services for the care or employment of persons with developmental disabilities. Of Missouri's 114 counties and the city of St. Louis, 85 have established SB 40 Boards. Sixty of the 85 SB40 Boards are located in third-class counties that are required to be audited by the State Auditor's Office. These 60 SB40 Boards levied approximately \$12 million in property taxes in 2007, while their total receipts for 2007 were approximately \$25 million and total cash balances were approximately \$14 million. Several of these boards had significant cash balances in relation to their annual disbursements.

The most common audit findings in third-class county audit reports included:

- Lack of budgetary practices and published financial statements
- Inadequate procedures to monitor collateral securities
- Lack of written contracts, contracts that did not establish minimum levels of service or require the not-for-profit agency to report services or submit documentation to support the disbursements
- Problems with meeting minutes
- Accumulation of significant cash reserves without documentation of specific plans for their use

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

SENATE BILL 40 BOARDS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

Sections 205.968 through 205.972 allow counties to establish a Senate Bill 40 (SB40) Board and related tax levies to operate a sheltered workshop, residence facility, or related services for the care and/or employment of persons with developmental disabilities. Of Missouri's 114 counties and the City of St. Louis, 85 have established Senate Bill 40 (SB40) Boards, of which 60 are in third-class counties and required to be audited by the State Auditor's Office under Section 29.230. RSMo. The objectives of this review were to:

1. Identify all counties with SB40 Boards within the State of Missouri.
2. Compile estimated property tax revenues of the identified SB40 Boards.
3. Obtain the unaudited financial information for the SB40 Boards of third-class counties for the year ended December 31, 2007.
4. Identify the most common findings reported in the State Auditor's Office most recent audits of the third-class county SB40 Boards.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA

EXECUTIVE SUMMARY

SENATE BILL 40 BOARDS EXECUTIVE SUMMARY

Of Missouri's 114 counties and the city of St. Louis, 85 have established Senate Bill 40 (SB40) Boards. While most of these are audited by independent auditors, the State Auditor's Office did not obtain or review audits of the 25 SB40 Boards located in first, second, and fourth-class counties or the city of St. Louis. Sixty of the 85 SB40 Boards are located in third-class counties which are required to be audited by the State Auditor's Office.

Approximately \$72 million in property taxes were levied in 2007 for the 85 SB40 Boards. The 25 SB40 Boards located in first, second, and fourth-class counties levied approximately \$60 million in property taxes, while the 60 SB40 Boards located in third-class counties had approximately \$12 million in property taxes in 2007. Most SB40 Boards have additional revenue sources including grants, fees, and interest income. In the 60 third-class county SB40 Boards, total receipts for 2007 were approximately \$25 million and the total cash balances were approximately \$14 million. Additionally, several of these boards had significant cash balances in relation to their annual disbursements.

Common audit findings

The following list of frequent SB40 Board findings was compiled utilizing the most recent State Auditor's Office audits of the third-class counties with SB40 Boards. Some of the areas listed below are only applicable to some of the counties.

- **Budgetary practices and financial statements**

Some boards did not prepare budgets or budget amendments (when actual disbursements exceeded budgeted amounts), or adequately monitor the budget to actual amounts to ensure budgets were not exceeded. Additionally, some budgets did not always adequately project the anticipated financial condition of the fund or contain actual financial activity that was accurate and consistent with amounts recorded in the financial records. Also, some financial statements were not published as required or reflected only amounts passed through the County Treasurer.

- **Collateral Securities**

Some boards did not have written depositary agreements with their banks, and adequate procedures had not been established to monitor collateral securities pledged by the board's depositary bank. As a result, some funds were under collateralized.

- Contracts

Some boards did not enter into written contracts when appropriate and some were not updated. Additionally, contracts did not always establish minimum level of services to be provided or require the not-for-profit agency to report services or documentation to support the disbursements. Although some contracts required information that would enable the board to monitor the use of monies, there was no documentation that some boards had received this information.

- Minutes

Some board minutes were not signed by the preparer or by a board member to attest to their completeness and accuracy. Additionally, some minutes did not always document sufficient detail of actions, votes taken, the specific reason for closing the meeting or final disposition of certain matters discussed in closed meetings.

- Cash reserve

Some boards had accumulated a significant cash reserve without any documentation of specific plans for its use or establishment of a goal in the budget message or board minutes.

In addition, other significant findings included control weaknesses over disbursements, inadequate and inaccurate financial records, timesheets not being prepared or approved, and lack of segregation of duties.

OBJECTIVES, SCOPE, AND METHODOLOGY

SENATE BILL 40 BOARDS OBJECTIVES, SCOPE, AND METHODOLOGY

Section 205.968.1, RSMo allows County Commissions to appoint a Senate Bill 40 (SB40) Board to administer and establish and/or operate a sheltered workshop, residence facility, and/or related services for the care or employment of persons with developmental disabilities. Section 205.971, RSMo allows third-class counties to levy up to 40 cents per \$100 of assessed valuation and all other counties to levy up to 20 cents per \$100, by a simple majority of county voters. SB 40 boards have been established in 85 Missouri counties including the city of St. Louis.

In some areas of the state, the county boards purchase services for residents of the county. Other county board agencies provide services directly and use this funding to establish and pay for those services. Many county board agencies also contract with their local Regional Center to provide various services, including residential supports, day habilitation, personal assistant hours, and job coaching. In addition, some county board agencies provide case management services.

Objectives

The objectives of this report were to 1) identify all counties with SB40 Boards in the State of Missouri, 2) compile estimates of the property tax revenues of the identified SB40 Boards, 3) obtain the unaudited financial information for the SB40 Boards of third-class counties, and 4) identify the most common findings reported in the State Auditor's Office most recent audits of the third-class county SB40 Boards.

Scope

Several documents were used in compiling the information included in this report:

- Tax rate forms submitted by political subdivisions which contain county assessed valuation and property tax levy information.
- The 2008 county budgets contain actual financial information for 2007 and were used in compiling unaudited actual receipts and disbursements for all third-class counties.
- Audits of third-class counties issued by the State Auditor's Office from 2004 through 2007.

Methodology

All political subdivisions of the state, including SB40 Boards, are required to report annual assessed valuation and property tax information to the SAO. This information was used to estimate property tax revenues for each SB40 Board for 2007. Based on historical tax collection data of third-class counties, SB40 Board property tax revenues are estimated to be approximately 92 percent of taxes levied. In addition, SB40 Boards in third-class counties file annual budgets

with the State Auditor's Office. For those who did not file their budget, we were able to obtain copies of the budgets from the county or the SB40 Board, except for one, as identified in Appendix C.

Financial information was not obtained from SB40 Boards in first, second, fourth-class counties, or the city of St. Louis.

Limitations

Appendixes B and C present unaudited financial data of the SB40 Boards.

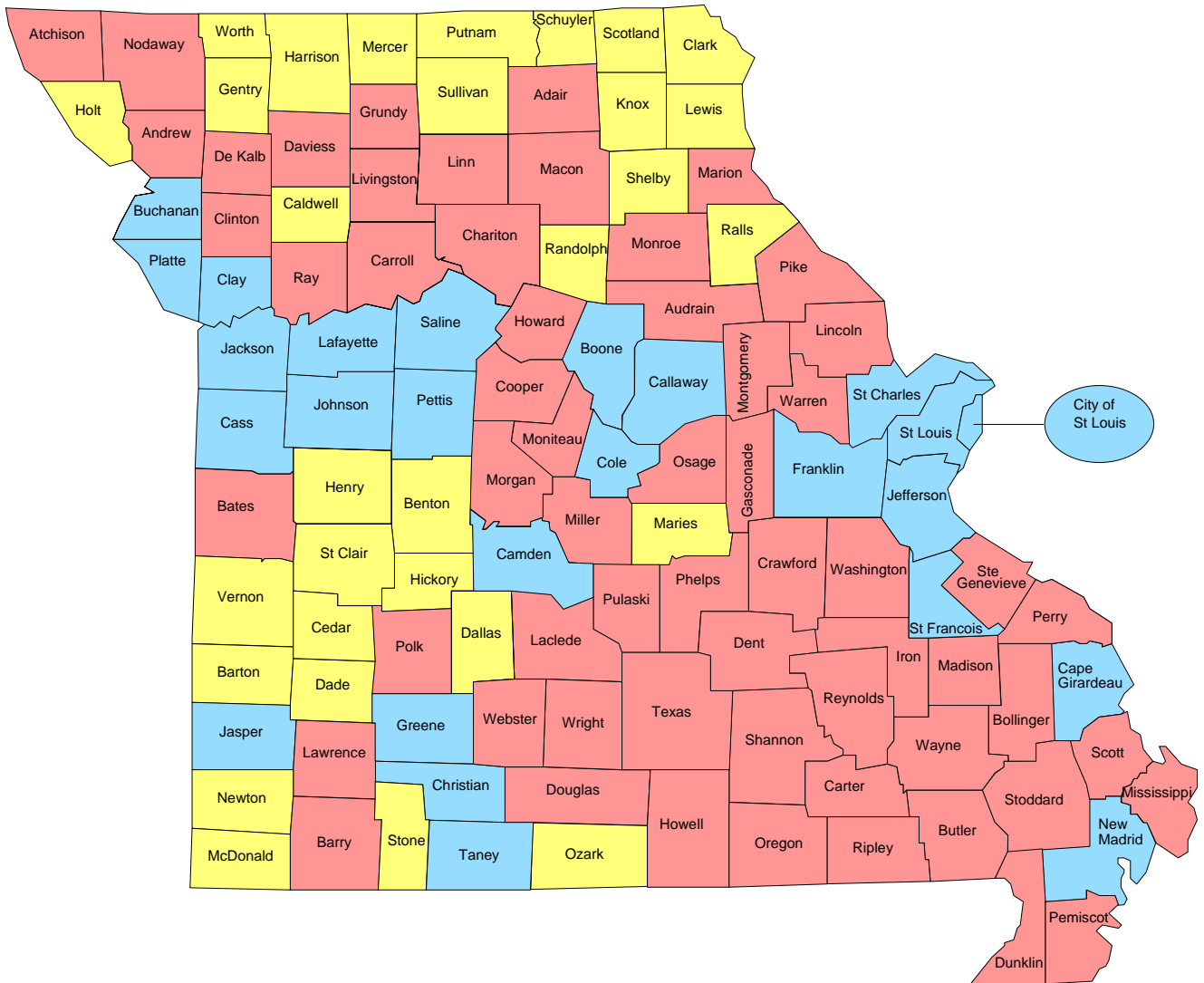
Revenue estimates discussed in this report are based on property tax data maintained by the State Auditor's Office. SB40 Boards often have additional and sometimes significant revenue sources not presented in this report.

APPENDIXES

APPENDIX A

SENATE BILL 40 BOARDS

- THIRD-CLASS COUNTIES WITH SB40 BOARD (60)
- FIRST, SECOND, and FOURTH-CLASS COUNTIES
WITH BOARDS (25)
- COUNTIES WITH NO SB 40 BOARD (30)



APPENDIX B

SENATE BILL 40 BOARDS 2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Adair	\$ 0.1477	243,233,734	330,516	X		
Andrew	0.0807	193,969,965	144,011	X		
Atchison	0.0995	86,490,665	79,174	X		
Audrain	0.2051	317,274,213	598,671		X	
Barry	0.0700	415,926,159	267,856	X		
Bates	0.0700	181,478,964	116,872	X		
Bollinger	0.0972	109,540,480	97,955	X		
Boone	0.1114	2,208,605,349	2,263,555			X
Buchanan	0.0971	1,059,045,841	946,067			X
Butler	0.0935	481,027,962	413,780	X		
Callaway	0.0975	657,383,642	589,673			X
Camden	0.0546	1,437,274,787	721,972			X
Cape Girardeau	0.0773	1,026,468,572	729,983			X
Carroll	0.0987	142,729,634	129,604	X		
Carter	0.0812	46,396,891	34,660	X		
Cass	0.0381	1,236,252,679	433,331			X
Chariton	0.0900	120,980,464	100,172	X		
Christian	0.0783	879,944,735	633,877			X
Clay	0.1191	3,582,346,415	3,925,249			X
Clinton	0.0863	245,497,098	194,915	X		
Cole	0.0862	1,240,391,934	983,680			X
Cooper	0.1995	207,249,897	380,386		X	
Crawford	0.0906	256,535,091	213,827		X	
Daviess	0.0800	100,473,110	73,948	X		
DeKalb	0.0889	108,785,133	88,973	X		
Dent	0.1500	148,281,298	204,628	X		
Douglas	0.0804	122,347,279	90,498	X		
Dunklin	0.1000	296,632,235	272,902	X		
Franklin	0.0918	1,737,914,090	1,467,773			X
Gasconade	0.0921	210,341,862	178,227		X	
Greene	0.0462	3,931,631,718	1,671,101			X
Grundy	0.1000	103,365,674	95,096	X		
Howard	0.0988	104,721,031	95,187	X		

APPENDIX B

SENATE BILL 40 BOARDS 2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Howell	0.0500	381,943,530	175,694	X		
Iron	0.0939	171,120,539	147,828	X		
Jackson	0.0748	9,833,611,688	6,767,098			X
Jasper	0.0745	1,549,385,382	1,061,949			X
Jefferson	0.0924	2,790,553,587	2,372,194			X
Johnson	0.1000	497,647,642	457,836			X
Laclede	0.0655	366,769,917	221,016	X		
Lafayette	0.0595	397,784,115	217,747			X
Lawrence	0.0859	398,196,177	314,686	X		
Lincoln	0.0983	602,564,012	544,935	X		
Linn	0.1986	127,919,809	233,725		X	
Livingston	0.1000	155,215,456	142,798	X		
Macon	0.0961	173,211,803	153,140	X		
Madison	0.1874	107,825,695	185,900		X	
Marion	0.1349	343,396,408	426,182		X	
Miller	0.0789	357,236,446	259,311		X	
Mississippi	0.1224	131,532,931	148,117	X		
Moniteau	0.0500	165,756,021	76,248	X		
Monroe	0.1000	107,405,275	98,813	X		
Montgomery	0.0967	181,163,150	161,170		X	
Morgan	0.0383	461,253,946	162,527	X		
New Madrid	0.0200	397,245,714	73,093			X
Nodaway	0.0497	275,902,148	126,153	X		
Oregon	0.1000	79,233,754	72,895	X		
Osage	0.0996	176,340,010	161,584		X	
Pemiscot	0.1000	171,632,254	157,902		X	
Perry	0.0898	269,894,801	222,976	X		
Pettis	0.0857	516,889,282	407,536			X
Phelps	0.0702	511,330,021	330,237	X		
Pike	0.1906	220,333,624	386,359		X	
Platte	0.1205	1,947,408,113	2,158,897			X
Polk	0.0200	267,933,907	49,300	X		
Pulaski	0.0706	342,591,157	222,520	X		

APPENDIX B

SENATE BILL 40 BOARDS 2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Ray	0.1896	236,183,378	411,979	X		
Reynolds	0.0896	127,297,839	104,934	X		
Ripley	0.0994	80,403,833	73,528	X		
St. Charles	0.1247	7,366,062,773	8,450,642			X
St. Francois	0.0909	612,843,688	512,509			X
St. Louis						X
Residential	0.0700	14,884,282,790	9,585,478			
Agricultural	0.0850	6,918,180	5,410			
Commercial	0.0790	5,622,356,435	4,086,329			
Personal	0.0850	3,705,380,253	2,897,607			
			16,574,824			
Ste. Genevieve	0.0650	344,083,170	205,762	X		
Saline	0.0663	252,719,231	154,149			X
Scott	0.0400	394,420,098	145,147	X		
Shannon	0.0975	64,336,465	57,710	X		
Stoddard	0.0800	369,554,530	271,992		X	
Taney	0.0873	896,529,467	720,057			X
Texas	0.1000	169,541,524	155,978	X		
Warren	0.1600	499,334,789	735,021	X		
Washington	0.1877	209,456,486	361,698	X		
Wayne	0.0800	117,227,222	86,279	X		
Webster	0.0771	318,431,737	225,870	X		
Wright	0.0779	153,745,371	110,186	X		
City of St. Louis	0.1278	4,382,963,005	5,153,313			X
Total	\$		71,778,064	47	13	25

* Based on counties' historical tax collection data, Senate Bill 40 Board property tax revenues are estimated using a 92 percent collection rate.

First, second, fourth-class counties and the city of St. Louis

Property tax levies are expressed as a rate per \$100 of assessed valuation.

APPENDIX C

THIRD-CLASS COUNTY SENATE BILL 40 BOARDS RECEIPTS, DISBURSEMENTS, AND CASH BALANCES YEAR ENDED DECEMBER 31, 2007

County	Cash Balance January 1,	Receipts	Disbursements	Cash Balance December 31,
Adair	\$ 0	348,855	348,855	0
Andrew	129,646	308,672	308,703	129,615
Atchison	14,732	84,885	85,000	14,617
Audrain	566,761	3,385,474	3,267,426	684,809
Barry	626,107	313,232	217,010	722,329
Bates (1)		127,581	100,800	26,781
Bollinger	4,929	105,040	104,949	5,020
Butler	426,638	466,428	362,533	530,533
Carroll	5,920	135,232	122,439	18,713
Carter	2,645	36,775	35,100	4,320
Chariton	122,283	103,191	79,450	146,024
Clinton	180,771	403,802	160,532	424,041
Cooper	173,648	673,647	675,463	171,832
Crawford	21,229	113,083	101,731	32,581
Daviess	165,991	107,316	73,774	199,533
DeKalb	70,571	109,519	74,733	105,357
Dent	187,975	331,805	403,242	116,538
Douglas	59,543	101,452	90,943	70,052
Dunklin	223,581	304,027	283,504	244,104
Gasconade	337,088	199,155	241,055	295,188
Grundy	161,208	112,257	110,993	162,472
Howard (2)				0
Howell	216,900	200,930	210,507	207,323
Iron	150,491	164,326	131,793	183,024
Laclede	5,344	261,597	257,438	9,503
Lawrence	182,172	339,506	372,765	148,913
Lincoln (3)	2,162,906	3,434,972	3,163,682	2,434,196
Linn	38,983	518,657	499,415	58,225
Livingston	81,268	165,347	131,222	115,393
Macon	67,239	171,467	153,786	84,920
Madison	107,624	1,064,341	955,950	216,015
Marion	217,146	1,529,654	1,553,873	192,927
Miller (1) (4)		274,631	200,198	74,433
Mississippi	1,203,891	202,265	145,297	1,260,859

APPENDIX C

THIRD-CLASS COUNTY SENATE BILL 40 BOARDS RECEIPTS, DISBURSEMENTS, AND CASH BALANCES YEAR ENDED DECEMBER 31, 2007

County	Cash Balance January 1,	Receipts	Disbursements	Cash Balance December 31,
Moniteau	565,770	175,122	322,704	418,188
Monroe	16,363	105,024	106,242	15,145
Montgomery	590,211	998,756	880,926	708,041
Morgan	89,578	169,333	181,953	76,958
Nodaway	18,797	131,586	142,157	8,226
Oregon	188,464	89,307	61,193	216,578
Osage	17,000	448,800	448,800	17,000
Pemiscot (5)	489,360	314,223	104,910	698,673
Perry	50,599	251,158	214,126	87,631
Phelps	187,949	360,776	332,757	215,968
Pike	612,214	2,171,324	2,224,201	559,337
Polk	64,029	52,293	41,075	75,247
Pulaski (1)		246,637	227,940	18,697
Ray	394,557	494,916	417,010	472,463
Reynolds	15,154	101,630	101,508	15,276
Ripley	136,099	85,143	57,412	163,830
Ste. Genevieve	111,503	210,765	175,076	147,192
Scott	266,021	171,999	157,044	280,976
Shannon	33,549	50,765	42,300	42,014
Stoddard (1)		372,748	372,748	0
Texas	46,615	166,019	155,636	56,998
Warren	332,862	751,747	711,470	373,139
Washington	283,305	413,969	237,135	460,139
Wayne	1,257	89,343	66,421	24,179
Webster	65,901	236,752	257,855	44,798
Wright	147,449	136,222	81,791	201,880
Total	<u>12,639,836</u>	<u>24,995,478</u>	<u>23,146,551</u>	<u>14,488,763</u>

- (1) The budget forms did not include a beginning balance for this fund.
- (2) A budget was not filed with the State Auditors office for this fund.
- (3) Year Ended June 30, 2007
- (4) A partial year was submitted covering July 1, 2006 through April 30, 2007
- (5) Year Ended September 30, 2007



Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Byrnes Mill Municipal Division



April 2008

Report No. 2008-21

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

April 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Byrnes Mill Municipal Division.

Monthly bank reconciliations are not prepared timely for the bond account, and there are several old outstanding checks that have not been resolved. The Court Administrator does not account for the numerical sequence of bond form. In addition, cash custody and recordkeeping duties have not been adequately segregated.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Byrnes Mill, Missouri

We have audited certain operations of the city of Byrnes Mill Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not

necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Byrnes Mill Municipal Division of the Twenty-Third Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Katie Twiehaus

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Bond Controls and Procedures
-----------	-------------------------------------

Monthly bank reconciliations are not prepared timely for the bond account. There are several old outstanding checks that have not been resolved. In addition, the Court Administrator does not account for the numerical sequence of bond forms.

- A. Monthly bank reconciliations are not prepared timely. The Bond Account had not been reconciled since December 31, 2006. Bank reconciliations for January 2007 through June 2007 were completed by the City Administrator in February 2008 for the municipal division's bond account upon our request. As of February 28, 2008, the bank reconciliations for July 2007 through January 2008 had not been completed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, cash balances reconcile to open items (liabilities), and to detect and correct errors in a timely manner.

- B. The Police Department issues prenumbered bond forms; however, the Court Administrator does not account for the numerical sequence of the bond forms to ensure all bonds have been accounted for properly.
To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all bond receipts are accounted for properly, the Court Administrator should establish procedures to account for the numerical sequence of bond forms.
- C. At June 30, 2007, the Bond Account had 10 outstanding checks, totaling \$475, that were over one year old. Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. The City Administrator indicated that old outstanding checks are written off and not handled as unclaimed property, which does not appear to comply with state law. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the city of Byrnes Mill Municipal Division:

- A. Along with the City Administrator, ensure the municipal division's bank account is reconciled on a timely basis.
- B. Establish procedures to account for the numerical sequence of bond forms.

- C. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Court Administrator and City Administrator indicated:

- A. *We will ensure the municipal division bond bank account is reconciled on a timely basis.*
- B. *Procedures will be established to account for the numerical sequence of bond forms. A bond log will be kept of all bonds, date received, including the numerical sequence, name of defendant and agency executing the bond.*
- C. *Old outstanding bond checks, where payees cannot be located, will be disposed in accordance with state law, that is, transferred to the Unclaimed Property Division of the State Treasurer's Office.*

2. Court Controls and Procedures

Cash custody and recordkeeping duties have not been adequately segregated. In addition, a copy of the court's computer backup is not maintained off-site.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Court Administrator's office. The Court Administrator collects monies, records transactions, prepares the deposit, and prepares the transmittal report. The City Administrator performs the bank reconciliations; however, a person independent of the receiving process does not compare the receipt slips issued to the transmittal report to ensure its accuracy and to ensure that all monies received are transmitted. In addition, the Court Administrator posts the receipts to the computer system which maintains the court docket and computerized case files. No receipt report is generated from this system nor is the information recorded on the court's system reconciled in some other way to amounts transmitted to the city for deposit.

Internal controls would be improved by having someone independent of the receipting, recording, and transmittal preparation processes review the records to ensure accuracy. To ensure all monies received are accounted for properly, a report of receipts posted to the court's computer system should be generated and agreed to amounts deposited.

- B. The city maintains all of the court case file information on their computer system which is backed-up daily; however, no backup is maintained off-site in the event of a disaster.

A current backup of the court's data maintained in their computers should be stored in a secure off-site location. This would allow the city to continue operations if a major disaster occurred at their location destroying all records and data stored.

WE RECOMMEND the city of Byrnes Mill Municipal Division:

- A. Establish procedures requiring someone independent of the receipting process to account for and verify monies recorded on receipt slips to transmittal reports. In addition, deposits should be reconciled to computer records and recorded receipts.
- B. Maintain a backup copy of computer data in a secure off-site location.

AUDITEE'S RESPONSE

The Court Administrator and City Administrator indicated:

- A. *Procedures will be established for the City Collector to account for and verify monies recorded on receipt slips to transmittal reports. Deposits will be reconciled to computer records and recorded receipts.*
- B. *A backup copy of computer data will be secured in an off-site location.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Byrnes Mill Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	Colby Smith-Hynes
Court Administrator	Mary Sheriff
City Administrator	Bill Sehie

Financial and Caseload Information

	Year Ended June 30	
	2007	2006
Receipts	\$ 357,689	328,130
Number of cases filed	3,766	3,278



Susan Montee, CPA
Missouri State Auditor

REVENUE

Motor Vehicle and Drivers License Processes



March 2008
Report No. 2008-20

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

The following report is our audit of the Department of Revenue, Motor Vehicle and Drivers License Processes.

The Department of Revenue's practice of allowing contract agents to use validation systems other than the Titling and Registration Intranet Processing System (TRIPS) could result in the misappropriation of funds that may not be detected on a timely basis or at all by the department. In addition, there is no supervisory review or approval required before manual voids and overrides are made to daily accounting reports. In addition, documentation is not always available to demonstrate that manual voids and overrides are reviewed by field coordinators. Failure to properly supervise and monitor accounting report manual voids and overrides increases the possibility that misappropriation of funds will not be detected on a timely basis.

The DMV Academy's (DMVA) field coordinators do not always adequately document procedures performed during visits to contract offices, and reports prepared by field coordinators have not been consistently reviewed for over a year. In addition, the department does not have a reliable method to ensure the local sales tax rate assessed when titling motor vehicles is always accurate.

The TRIPS Miscellaneous Accounting inventory posting function provides the opportunity for misappropriation of certain motor vehicle inventory transactions. There is currently no function in the TRIPS that will reconcile the related posted inventory to the monies validated by the Miscellaneous Accounting function to ensure all inventory transactions are properly posted and that all inventory transactions posted are valid. Additionally, it does not appear some contract offices are performing reconciliations of semi-annual physical inventories to perpetual inventory records, as required by DMVA policy and the contract agent agreement.

The department does not always solicit proposals for selection of contract agents in the state's motor vehicle and drivers licensing offices. Between September 2006 and November 2007 proposals were solicited for the selection of three contract agents; however, during the same time period six contract agents were appointed without soliciting proposals. Department management indicated that there was no documentation (either paper or electronic) supporting the decision to appoint agents without soliciting proposals, or the actual selection of the appointed contract agents. Also, the department does not have a policy which establishes minimum requirements for contract agents, including experience and educational; however, experience was included in the evaluation criteria of the proposals.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Omar Davis, Director
Department of Revenue
Jefferson City, Missouri

We have audited the Department of Revenue, Motor Vehicle and Drivers License Processes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007, 2006, and 2005. The objectives of our audit were to:

1. Determine if the department has adequate internal controls over significant management and financial functions.
2. Determine if the department has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior Department of Revenue, Division of Motor Vehicle and Drivers Licensing audit report issued for the two years ended June 30, 2001, as well as applicable findings in our prior Department of Revenue, Branch Office Conversion audit report issued for the calendar year 2005, were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Revenue, Motor Vehicle and Drivers License Processes.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Kimberly Magner
	David T. Olson
	Darrell Wolken

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Motor Vehicle Processing Procedures
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The Department of Revenue's contract agent agreement allows the use of validation systems other than the Titling and Registration Intranet Processing System (TRIPS) to account for motor vehicle monies received by contract agent offices. This practice could result in misappropriations by contract agents. There is no required supervisory review of manual voids and overrides made to daily business (accounting) reports, and documentation is not retained in some cases to show that the changes are reviewed by field coordinators. In addition, field coordinators do not always adequately document procedures performed during visits to contract offices. Furthermore, the department cannot ensure the local sales tax rate assessed when titling motor vehicles is always accurate.

The department contracts with agents throughout the state to operate offices which provide licensing services to Missouri residents. Contract agents are provided with the TRIPS, which is both a processing and accounting system. As of December 2006, the TRIPS was fully functional in all contract offices to account for (validate) monies received for all types of motor vehicle transactions. However, as of November 2007, the TRIPS still could not be used to process certain types of complex title and registration transactions, such as abandoned vehicles or repossession titles. For these types of transactions, the monies can be validated in the TRIPS by the contract offices and documentation is then forwarded to the department to be keyed into a computer system which updates the General Registration System (GRS).

The DMV Academy's (DMVA) field coordinators are responsible for monitoring the motor vehicle and drivers licensing contract offices located throughout the state.

During our review of motor vehicle processing procedures, we noted the following:

- A. The use of validation systems other than the TRIPS provided by the department could result in the misappropriation of funds that may not be detected on a timely basis or at all by the department.

Although the TRIPS is capable of validating all motor vehicle transactions, the department contract agent agreement allows contract offices to continue to use other systems to validate transactions for up to one year from the date of contract. When a contract agent validates motor vehicle transactions on another system, the transactions, by type, must be independently posted to the TRIPS. In the event a titling transaction is validated on a system other than TRIPS, and the contract agent fails to post state and local taxes and fees associated with the transaction to

TRIPS, it is likely that the title could be processed and the department would not identify if monies have not been deposited and accounted for.

Allowing the use of a system other than TRIPS to validate motor vehicle transactions, increases the possibility that misappropriations may occur and not be detected.

- B. There is no supervisory review or approval required before manual voids and overrides are made to daily accounting reports. In addition, documentation is not always available to demonstrate that manual voids and overrides are reviewed by field coordinators.

- 1) The department does not have a policy requiring supervisory approval or periodic reviews of manual voids and overrides to ensure they are valid and accurately recorded.

The contract agent agreement requires offices to make a deposit of each day's collections on a daily basis, but no later than the close of the second banking day following receipt. In addition, the agreement requires the agent to transmit daily accounting reports to the department on a daily basis, but no later than the next business day after deposit. However, if the daily accounting report and deposit totals do not reconcile when a shipment is closed, the department allows the contract agents to manually void transactions and permits overrides of the system to balance the report and the deposit amount at a later date.

When a customer titles a vehicle, sales taxes and a title fee must be paid, which can be substantial. If a contract office employee manually voids a transaction in the TRIPS, the monies will not be included on the daily accounting report or in the deposit. However, if the required information to stop the title from processing is not keyed, it is possible for the contract office employee to retain the sales taxes and fee collected for the transaction without being detected. In this situation, the daily accounting report and deposit would reconcile and the title will be processed through the GRS system and provided to the customer.

Our review noted two instances where contract office employees did not key, or incorrectly keyed, the required information to stop the processing of a title when a title transaction was manually voided.

- 2) The DMVA field coordinators have been informed by DMVA management to review manual void documentation during monthly contract office reviews. However, our review of 15 daily accounting reports that included manual voids found that in several instances adequate documentation was not retained by the respective contract offices and there was not always documentation that field coordinators reviewed manual void documentation as part of the monthly contract office visits.

Failure to properly supervise and monitor accounting report manual voids and overrides increases the possibility that misappropriation of funds will not be detected on a timely basis.

- C. The DMVA field coordinators do not always adequately document procedures performed during visits to contract offices, and reports prepared by field coordinators have not been consistently reviewed for over a year.

- 1) Field coordinators document procedures performed and concerns noted during monthly and quarterly visits to contract offices on standardized report forms. Many of the field coordinator reports we reviewed were incomplete or appeared inaccurate. There was no indication on some reports that essential monitoring procedures were performed. In addition, there were inconsistencies in how some yes or no questions on the field coordinator reports were addressed.
- 2) The current forms used by the field coordinators became effective in October 2006. Prior to establishment of the current forms, the field coordinator reports were submitted to the Customer Assistance Bureau (CAB) and entered into a tracking system for monitoring purposes. However, due to the changes made to the forms, the CAB was unable to enter the information into the tracking system. As a result, the field coordinator reports have not been consistently reviewed since October 2006. The field coordinators were moved to the DMVA in May 2007 and the DMVA is currently in the process of developing new review forms.

Failure to ensure complete and accurate field representative reporting provides less assurance that field office monitoring is effective in preventing or identifying misappropriation of funds.

- D. The department does not have a reliable method to ensure the local sales tax rate assessed when titling motor vehicles is always accurate.

The department collects state and local sales taxes for the registration of motor vehicles. The state rate is 4.225 percent of the net purchase price of the vehicle; however, the local tax rates assessed vary and are based on the residence of the customer. The application for a Missouri title and license does not require the customer to document the locality in which the customer resides. Although the application requires the customer's mailing address, this address is not always the locality to which the taxes are due. For example, we noted a transaction where a customer with an Affton mailing address was assessed the local sales tax rate for Affton, Missouri; however, the customer's actual taxing jurisdiction was Marlborough, which has a higher tax rate than Affton.

During our review of forty applications for motor vehicle titles, we noted five instances where contract offices assessed the incorrect local sales tax rate based on the customer's address. These five instances resulted in an undercharge of

local sales taxes totaling approximately \$650. In addition, the monies were distributed to the incorrect locality.

The current system available to the contract offices, DSAL, allows contract offices to enter the customer's physical address to determine the locality of the address. However, this system is not always accurate. Without a reliable system in place to ensure local sales tax rates assessed are accurate, the department cannot guarantee the correct amounts are collected and subsequently distributed to Missouri's localities.

WE RECOMMEND the department:

- A. Revise current contract agent agreements to require the use of the TRIPS system for the validation of all types of motor vehicle transactions.
- B.1. Develop a written policy requiring supervisory approval and periodic review of manual voids and overrides.
 - 2. Develop a written policy to require contract offices to retain supporting documentation for manual voids and overrides and require the DMVA's field coordinators to review the manual voids and overrides.
- C. Require field representatives to perform and document all essential monitoring procedures.
- D. Continue to investigate ways to ensure local sales tax rates are accurately assessed.

AUDITEE'S RESPONSE

- A. *The Department partially concurs. Prior to the implementation of TRIPS in 2006, contract offices relied solely on the separate (validation) counter systems, which do not provide the same level of internal controls that the TRIPS does. The Department will continue transitioning from the separate (validation) counter systems to TRIPS.*
- B.1. *The Department concurs. A policy requiring supervisory approval and review of manual voids was implemented in January 2008.*
 - 2. *The Department concurs. A written policy was implemented in January 2008. The Department also agrees with the importance of requiring DMVA field coordinators to review manual voids. This requirement has been a field coordinator responsibility since November 2007.*
- C. *The Department concurs. The DMVA field coordinators currently perform essential monitoring of the contract offices and communicate/document areas of concern.*

- D. *The Department concurs. All reasonable efforts are exercised to ensure local sales tax rates are accurately applied.*

2. Inventory Procedures

The TRIPS Miscellaneous Accounting inventory posting function provides the opportunity for misappropriation of certain motor vehicle inventory transactions. In addition, it does not appear some contract offices are performing reconciliations of semi-annual physical inventories to perpetual inventory records, as required by the contract agent agreement.

Motor vehicle inventory records for all licensing offices are maintained by the Customer Services Division (division) on the Department of Motor Vehicle Inventory (DMVI) System, a computerized inventory system. All inventory items, including license plates, permits, decals, placards, and tabs issued to the contract offices are recorded in the DMVI System. When a motor vehicle transaction is processed in which inventory is sold, the inventory information is entered into the TRIPS, which in turn updates the DMVI System. During our review of inventory procedures, we noted the following:

- A. The TRIPS Miscellaneous Accounting inventory posting function provides the opportunity for misappropriation of certain motor vehicle inventory transactions.

The Miscellaneous Accounting function must be used to validate monies in the TRIPS for complex transactions, such as salvage titles or permanent placards. However, when inventory is sold related to a Miscellaneous Accounting transaction, the inventory detail must be separately posted in the TRIPS to adequately update the DMVI System. There is currently no function in the TRIPS that will reconcile the posted inventory to the monies validated by the Miscellaneous Accounting function to ensure all inventory transactions are properly posted and that all inventory transactions posted are valid.

Without a function in the TRIPS to reconcile inventory sold through the Miscellaneous Accounting function to the inventory that is separately posted as sold, the system lends itself to possible misappropriation of both monies and inventory by contract offices throughout the state.

- B. It does not appear some contract offices are performing reconciliations of semi-annual physical inventories to perpetual inventory records, as required by DMVA policy and the contract agent agreement.

Our review of five semi-annual inventory reconciliations noted 15,629 adjustments totaling approximately \$510,000 made by the DMVA auditors during the course of the reconciliation process. Final charges for the inventory items that could not be accounted for after the DMVA auditor's investigations were complete totaled approximately \$10,000. In addition, we observed auditors

spending significant amounts of time researching inventory item discrepancies on the inventory reconciliation, reviewing correspondence from the contract offices regarding the inventory discrepancies, and making adjustments to the DMVI System. The contract agent agreement requires the contract offices to reconcile their physical inventories to perpetual records prior to submitting the physical inventories to the DMVA auditors. A letter is also issued by the DMVA every six months to the contract offices explaining the required reconciliation procedures. Had the contract offices performed these reconciliations, many of the discrepancies may have been identified and corrected prior to the inventory reconciliations performed by the DMVA auditors.

Failure of the contract offices to reconcile physical inventory reports to perpetual records results in the use of state resources to identify discrepancies which should have been identified by the contract offices.

WE RECOMMEND the department:

- A. Consider developing an interface between the TRIPS Miscellaneous Accounting function and inventory posting.
- B. Enforce the DMVA contract agent agreement requiring field offices to reconcile inventory records.

AUDITEE'S RESPONSE

- A. *The Department concurs that the interface recommended by the State Auditor would be beneficial. Based on available resources, this recommendation will be taken under further consideration.*
- B. *The Department concurs and has consistently enforced the DMVA contract agent agreement requiring field offices to reconcile inventory records.*

3. Selection of Contract Agents
--

The department does not always solicit proposals for selection of contract agents in the state's motor vehicle and drivers licensing offices. In addition, the department has not established minimum experience and educational requirements for contract agents. As a result, there is no assurance the contract agents who would provide the best quality of service to Missouri taxpayers are always selected.

- A. The department does not always solicit proposals for selection of contract agents in the state's motor vehicle and drivers licensing offices. Between September 2006 and November 2007, the department solicited proposals for the selection of three contract agents. However, it was also noted that during this same time period six contract agents were appointed by the department without soliciting

proposals, which has been a long-standing practice within state government. According to department management, the department reviews each position individually to determine whether soliciting proposals or appointing a contract agent without soliciting proposals is in the best interest of Missouri taxpayers. We requested all documentation (both paper and electronic) regarding the appointed contract agents. However, department management indicated there was no documentation supporting the decision to appoint contract agents without soliciting proposals or the actual selection of the contract agents for which proposals were not solicited.

- B. The department does not have a policy which establishes minimum requirements, such as experience and educational requirements, for contract agents. The Requests for Proposals (RFP) for contract agents did not include minimum experience and educational requirements; however, experience was included in the evaluation criteria of the proposals.

By soliciting proposals and establishing minimum experience and education requirements, the department can better evaluate and select contract agents that will provide the best service to Missouri taxpayers.

WE RECOMMEND the department solicit proposals for contract agents to be selected through a competitive evaluation process. In addition, the department should establish minimum requirements that must be met to be considered as a contract agent.

AUDITEE'S RESPONSE

The Department concurs, only to the extent that Missouri taxpayers are best served. Following the statutory authority provided, the Department will continue to assess the best avenue for selecting contract agents. Criteria considered related to the contract offices referenced by the State Auditor included, but was not limited to: experience, knowledge, ability for taxpayers to be served by other offices in the region during the competitive bid process, and community involvement.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Revenue (department) on findings in the Management Advisory Reports (MAR) of our prior Department of Revenue, Division of Motor Vehicle and Drivers Licensing audit report issued for the two years ended June 30, 2001, as well as all applicable findings in our prior Department of Revenue, Branch Office Conversion audit report issued for the calendar year 2005. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING

1. Motor Vehicle Processing (MVP) Section Examiner and Auditor Procedures
 - A. There was not always documentation that alterations to critical items on transaction applications, such as validation, purchase calculation, inventory items sold, or fees and taxes paid, were investigated.
 - B.1. Due to inadequate information on the title application, the MVP section examiners do not review local sales taxes charged to customers residing in metropolitan areas which have numerous localities.
 2. Several transactions reviewed included incorrect sales tax calculations. MVP procedures required examiners to review the local sales tax rates charged for most cities in the state; however, these errors were not noted by the examiners.
 - C. Transactions that did not meet legal or technical requirements were not always rejected as required by MVP section procedures.
 - D. Two of three transactions reviewed which included "other credits", totaling \$1,400, did not have documentation supporting the credits.
 - E. Written procedures for auditing shipment reports and maintaining inventory records were inadequate and outdated.

Recommendation:

The department:

- A. Follow procedures to review field office transactions for alterations to critical items, such as validation, purchase calculation, inventory items sold, or fees and taxes paid. Alterations should be investigated and resolved in a timely manner.
- B.1. Redesign the application for Missouri title and license so that the locality in which the customer lives is clearly documented.
 - 2. Ensure examiners are following established procedures for reviewing local sales taxes collected.
- C. Reject all transactions that do not meet legal or technical requirements as required by MVP section procedures. If it is not deemed cost effective to reject transactions with certain types of errors, such errors should be tracked and discussed with field officers.
- D. Ensure all transactions involving "other credits" contain adequate supporting documentation.
- E. Update written auditor procedures and ensure the appropriate personnel are aware of such procedures.

Status:

- A. Partially implemented. With the implementation of the Title and Registration Intranet Processing System (TRIPS), contract offices are no longer required to use the transaction applications to validate fees and taxes paid, calculate purchase price, or document inventory sold. However, not all offices use the TRIPS to validate all types of transactions. The DMV Academy (DMVA) field coordinators are required to review transactions during their monthly visits to monitor these areas; however, our review of monthly visit documentation noted concerns in the area of monitoring. See MAR finding number 1.
- B.1. Not implemented. See MAR finding number 1.
 - 2. This is no longer applicable. The department no longer has MVP examiners who review transactions. However, see MAR finding number 1 for comments relating to local sales tax rates assessed on motor vehicle titling transactions.
- C. Not implemented. Our audit work noted one transaction that did not meet legal requirements but was not rejected. Although not repeated in the current MAR, our recommendation remains as stated above.

- D. Transactions reviewed including "other credits" contained adequate supporting documentation.
- E. Implemented.

2. Customer Assistance Bureau (CAB) Procedures

- A. Although the CAB's function was to monitor the field offices, the CAB provided significant resources directly to the fee agents by employing approximately fifty revenue licensing technicians who processed drivers license transactions in the fee offices. In addition, numerous field representative reports indicated field representative performed fee agent duties, such as processing motor vehicle and drivers license transactions and answering the telephone.
- B. There were no written guidelines for determining the frequency of field visits to each office.
- C.1. Many field representative reports were incomplete.
 - 2. There was not always documentation that concerns noted on field representative reports were investigated and resolved by the field representative or the CAB.
- D. Field representatives were required to perform surprise cash counts in field offices on an annual basis. Cash counts were not performed for some offices reviewed and there was no documentation that the CAB investigated concerns noted during cash counts.
- E. The CAB did not follow-up on late deposits made by fee agents. In addition, the fee agent contract provided a late charge of \$50 for each day a deposit was late; however, the CAB did not enforce the late deposit penalty.
- F.1. The CAB did not enforce the late charge for unresolved short balances.
 - 2. Field representatives did not investigate significant items comprising the field office long/short balance. Field representatives were provided with a monthly report of the long/short balance of each office; however, they were not provided with details of the transactions included in the long/short balance.
- G. There was no documentation that the field representatives performed follow up procedures on recommendations made by the department's Internal Audit Section for the fourteen audit reports we reviewed.
- H. Unidentified monies were ultimately retained by the fee agents instead of the department.

- I. The CAB field procedure manual documenting procedures to be followed by field offices and field representatives was incomplete and outdated.

Recommendation:

The department:

- A. Discontinue the practice of providing state employees to perform fee agent duties.
- B. Develop guidelines for determining the frequency of field office visits by field representatives.
- C. Require field representatives to perform and document all essential monitoring procedures. In addition, concerns noted by field representatives should be investigated and resolved in a timely manner. Documentation of follow up procedures should be maintained.
- D. Establish procedures to ensure periodic cash counts are performed. In addition, concerns noted during cash counts should be investigated and resolved in a timely manner. Documentation of follow up action should be maintained.
- E. Ensure late deposits are investigated and resolved in a timely manner. Penalties for late deposits should be assessed as provided in the fee agent contract.
- F. Develop procedures to ensure short balances are investigated and resolved in a timely manner. In addition, detailed information regarding long/short balances should be provided to field representatives to assist them in more effectively monitoring field offices.
- G. Establish procedures to ensure follow up on internal audit report findings is performed and documented on a timely basis.
- H. Develop procedures for accounting for unidentified monies collected by the fee offices. In addition the division should consult legal counsel to determine the appropriate disposition of these monies.
- I. Ensure the CAB field procedure manual is complete and maintained on a current basis.

Status:

Effective May 1, 2007, duties that were previously the responsibility of the CAB were transferred to the newly created DMVA; CAB no longer exists. Therefore, the status of recommendations listed below addresses procedures adopted by both the CAB and the DMVA. In addition, "field coordinators" were previously referred to as "field representatives".

- A. Implemented. The DMVA created new guidelines for field coordinator visits to contract offices. Field coordinators can assist contract offices with training needs, but are no longer allowed to process transactions. Our review of selected field coordinator field visit reports identified no instances where field coordinators indicated they processed transactions.
- B. Partially implemented. According to DMVA personnel, guidelines were established for monthly and quarterly visits by the field coordinators; however, the guidelines are not written. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Not implemented. See MAR finding number 1.
- D. This recommendation is no longer applicable. Field coordinators are no longer required to perform cash counts.
- E-G. Implemented.
- H. Implemented. In three of 16 internal audit reports reviewed, the Internal Compliance Bureau (ICB) noted fee agents were not depositing unidentified monies into the department bank account. However, effective March 1, 2007, the Customer Services Division instituted a new policy requiring excess funds to be included in the deposit to the department account. The three audit reports reviewed were all issued prior to the effective date of this policy, and our review of transaction processing after this date found no instances of excess fees not being deposited to the department accounts.
- I. Not implemented. Some written procedures are in place; however, written procedures for the contract offices are not complete. See MAR finding number 1.

3. Unreported Transaction Procedures

- A. The division did not compare transactions sent in for processing to transaction summary reports. During our review, we noted transactions submitted for processing which were not reported on the transactions summary reports or identified through the delinquent fee process. In addition, we noted transactions which were sent in for processing, but were reported on a subsequent transaction summary report and inventory items which were not accurately reported on the transaction summary reports.
- B. There were no written procedures outlining the process to investigate and resolve potential unreported transactions.

Recommendation:

The department:

- A. Develop procedures to ensure transactions are accurately recorded on transaction summary reports.
- B. Develop written procedures to be followed for potential unreported transactions. These procedures should require the applicable parties to trace the transaction to the transaction summary reports and to ensure the transactions are recorded on the General Registration System (GRS), if necessary.

Status:

- A. Partially implemented. With the implementation of the TRIPS, contract offices are no longer required to submit transaction applications to the department. Instead, all information can be keyed into the TRIPS to validate and create a receipt for the customer. However, not all offices use the TRIPS to validate all types of transactions. DMVA field coordinators are required to review transactions during their monthly visits to monitor these areas; however, our review of field visit documentation noted concerns in the area of monitoring. See MAR finding number 1 for related comments.
- B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above. In addition, see MAR finding number 1 for comments related to potential unreported transactions.

4. Inventory Procedures

- A. Numerous errors were made on daily inventory reports submitted by the field offices. The CAB field procedures manual required the field offices to reconcile physical inventory reports to perpetual records prior to submitting the physical inventory to the division; however, this was apparently not always done.
- B. The division did not monitor field offices to ensure license plates and tabs were issued in numerical sequence. The CAB procedures did not require field representatives to review for inventory items sold out of sequential order. In addition, the MVP Section auditors did not routinely review for items sold out of sequential order and inventory items sold out of sequential order were not investigated and resolved.
- C.1. The division did not investigate field offices with significant inventory charges.
- 2. Adjustments could be made to field office inventory charges at the discretion of the CAB without adequate supporting documentation.

- D. Instances were noted in which field offices were misusing the ability to code inventory items as missing.

Recommendations:

The department:

- A. Enforce the CAB policy requiring field offices to reconcile their inventory records.
- B. Develop and implement procedures to monitor the sequential issuance of inventory items.
- C.1. Review field offices with high inventory charges.
 - 2. Ensure adequate documentation is maintained to support reductions to inventory charges.
- D. Review field offices with an unusual number of inventory items reported as missing.

Status:

- A. Not implemented. See MAR finding number 2.
- B. Not implemented. The TRIPS has the capability to automatically assign the next sequential inventory number to each transaction. However, according to department management, many contract offices do not utilize this function because all clerks in those offices issue the same sequential stock of inventory with each processing clerk signed in separately to the TRIPS, resulting in individual cashier reports for each clerk. Therefore, in many offices the clerks physically enter the inventory number of each item issued. Although not repeated in the current MAR, our recommendation remains as stated above.
- C.1.
 - &D. Implemented. DMVA field coordinators receive copies of contract office charge reports and are required to follow up on significant charges.
 - 2. Implemented. DMVA auditors are required to receive appropriate supporting documentation prior to adjusting any field office's inventory charges; however, this is not a written procedure.

5. Motor Vehicle Lease/Rental Companies

- A. The Division of Taxation and Collection could not effectively monitor whether sales or use taxes were recovered for the companies claiming exemption twelve (lease/rental companies choosing to collect and submit sales or use taxes on the amount charged for each rental or lease agreement rather than paying sales or use taxes at the point of registration) on title applications.
- B. The division did not always ensure that companies claiming exemption twelve on title applications had an active sales tax account.
- C. Some lease/rental locations for companies reviewed were not correctly coded as lease/rental locations by the Division of Taxation and Collection, which resulted in incorrect distribution of sales taxes.

Recommendation:

The department:

- A. Review companies claiming exemption twelve on a test basis to determine whether the state is recovering sales or use taxes by allowing lease/rental companies to collect and submit taxes on the amount charged for each rental or lease agreement. If the results of the review reveal sales or use taxes are not recovered, a change in the law should be pursued.
- B. Ensure companies claiming exemption twelve have an active sales tax account.
- C. Properly code lease/rental companies to ensure appropriate distribution of sales and use tax monies.

Status:

- A. Partially implemented. According to department management in a letter dated July 31, 2003, a study was conducted which looked at the Motor Vehicle Title Listing to determine if cars titled under exemption twelve could be traced back to the seller and location in the Missouri Integrated Tax System (MITS), as well as the Motor Vehicle Dealer's Listing to determine if the dealers were properly registered for sales tax. Based on the review performed by the department, it was determined that the department could not readily determine how tax was being remitted for a particular leased vehicle. The department indicated the only way to determine this with certainty was through direct audit of motor vehicle leasing companies. The department's Field Compliance Bureau can perform audits of motor vehicle companies, which would include reviewing for the proper collection and remittance of tax on leased vehicles. Because the results of the study were inconclusive, the department did not plan to pursue legislation, but rather rely on field audits. Current department management indicated the

department's position on this issue remains the same as documented in the July 31, 2003 letter. Although not repeated in the current MAR, our recommendation remains as stated above.

B&C. Implemented. According to department management in a letter dated July 31, 2003, the department has procedures in place to register new motor vehicle leasing companies and maintenance is routinely conducted when motor vehicle leasing companies add locations, the department attempted to contact the one taxpayer cited in the audit as not having an active sales tax account to determine whether the tax is being reported under a different sales tax account, but repeated attempts to contact them failed, and the department corrected all accounts noted during the audit that were improperly coded. In addition, current department management indicated a monthly process is now in place to verify lease rental companies claiming exemption twelve have an active sales tax account.

6. General Registration System (GRS)

Information on the GRS was not always accurate and up-to-date. As of July 28, 2001, approximately 549,000 motor vehicle transactions were on the Error File and, as a result, were not recorded on the GRS.

- A.1. During the years ended June 30, 2001 and 2000, approximately nine and twenty-four percent, respectively of title applications entered by MVP section personnel were posted to the Error File.
- 2. Approximately 306,000 of the transactions on the Error File were at least ten months old.
- B. The mainframe system's internal edit checks could detect instances where a license plate number was recorded as issued to two different customers. However, if the expiration year recorded for each customer was different, the transactions were not recorded on the Error File and the incorrect transaction was posted to the GRS.
- C. Missing, voided, and defective license plates were not being recorded on the GRS.

Recommendation:

The department:

- A. Establish procedures to reduce the number of transactions posted to the error file. In addition, all transactions on the error file should be corrected on a timely basis.

- B. Ensure edit checks identify all duplicate license plate numbers recorded on the GRS. In addition, duplicate license plate numbers currently on the GRS should be researched and resolved.
- C. Ensure that field offices submit invalid license plate reports for missing, voided, and defective license plates as required by CAB policy.

Status:

- A. Implemented. During the prior audit, all transactions were manually keyed into a separate computerized system which interfaced with the GRS resulting in numerous data entry errors. With the implementation of the TRIPS, the GRS is automatically updated for all transactions that can be processed through the TRIPS. Only those transactions that cannot be processed in the TRIPS must be manually entered. Our review found as of June 1, 2007, there were approximately 42,000 errors on the GRS, with only approximately 15,000 of the errors waiting to be researched. Of the 15,000 errors waiting to be researched, 76 percent were less than two weeks old, while the oldest error was less than two months old.
- B. Implemented. According to department management, a 2005 program edit was implemented to identify duplicate plates recorded on the GRS. These are now identified on the Error File and researched.
- C. Implemented.

BRANCH OFFICE CONVERSION

2. Business Practices

- A. Four contract agents were allowed to operate without a contract signed by both the contract agent and the department.
- B. One contract agent did not comply with the contract agreement requirements to register and remain in good standing with the Secretary of State.
- C. Each contract agent was required by the contract agreement to prepare and submit a business plan in a format prescribed by the Director of Revenue within 24 days of appointment. The Kansas City office's contract agent's appointment date was September 20, 2005, which was 23 days after the agent began operations on August 29, 2005. This contract agent did not submit a business plan until October 19, 2005.
- D. Electronic telephone answering services at two contract agent offices did not provide an option to speak with office personnel. According to the contract agreement, if the contract agent used an electronic telephone answering service, such service must have provided the option to speak with office personnel. If

office personnel were not available to take the call, an option must have been provided to leave a message that would be responded to no later than the next business day.

Recommendation:

The department:

- A. Ensure contract agreements are signed by all necessary parties prior to the time the contract becomes effective.
- B. Ensure each contract agent is registered with the Secretary of State prior to conducting business, as required by state law.
- C&D. Ensure each contract agent complies with all of the requirements of the contract agent agreement.

Status:

- A. Implemented. Our review of two contracts awarded during fiscal year 2007 found both contracts were signed by all necessary parties prior to the time the contracts became effective.
- B. Implemented. Our review of two contracts awarded during fiscal year 2007 found both contract agents were registered with the Secretary of State, as required by state law.
- C&D. Not implemented. Our review of two contracts awarded during fiscal year 2007, found no exceptions related to the submittal of business plans or electronic answering devices. However, instances of failure to comply with provisions of the contract related to inventory were noted. See MAR finding number 2.

5. Selection and Oversight of Contract Agents

- A. The DOR had not established criteria or solicited proposals for selection of contract agents.
- B. The DOR may not have had adequate resources to thoroughly and effectively monitor the 11 converted high volume offices and the other 172 offices that were operated by contract agents.

Recommendation:

The department:

- A. Consider establishing minimum experience and educational requirements for potential candidates. In addition, the DOR should consider soliciting proposals to maintain an acceptable level of service and support legislation that requires contract agents to be selected through a competitive evaluation process.
- B. Ensure resources are available to adequately and effectively monitor the operations of all the state's contract fee agents.

Status:

- A. Partially implemented. The department solicited proposals for three contract agent offices between September 2006 and November 2007. However, during this same time period, six contract agents were appointed by the department without soliciting proposals. In addition, the department has not established minimum experience and educational requirements for agents. House Bill 1336, 93rd General Assembly, included a reference to a competitive bidding process for contract offices; however, the legislation was not successful. See MAR finding number 3.
- B. Partially implemented. The number of field coordinator positions has increased from 10 to 14, and field coordinators are required to perform monthly and quarterly reviews of each office in their respective designated region. However, our review of field coordinator reports identified concerns related to the effectiveness of contract agent monitoring. See MAR finding number 1 for related comments.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Revenue was created by Article IV, Section 12, of the Missouri Constitution. The Department of Revenue was given authority and responsibility to collect all monies due to the government of Missouri as provided by law. The Department of Revenue is headed by the director of revenue who is appointed by the governor with the advice and consent of the Senate. The laws governing some of the duties of the director of revenue are set forth in Section 136.030(2), RSMo. This section, in brief, provides that the director of revenue shall make provisions for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax and all other income and business taxes. The Customer Services Division (CSD) facilitates the registration of each motor vehicle, trailer, and marine craft in the state, the licensing of all operators of motor vehicles residing in this state, as well as tax collection.

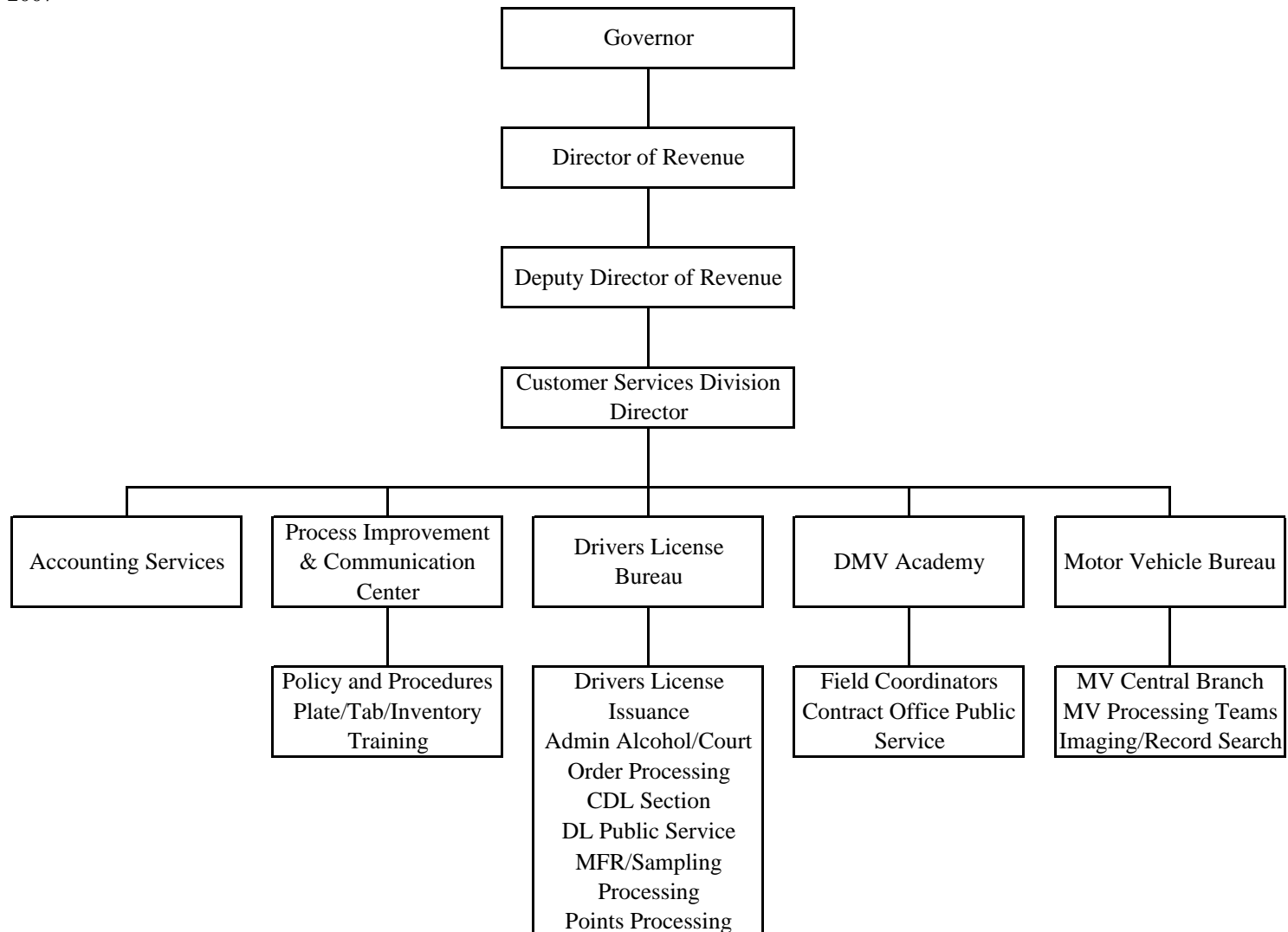
The CSD motor vehicle and driver license operations are set forth in Chapters 301, 302 and 306, RSMo. To accomplish the CSD's statutory responsibilities, the DMV Academy is responsible for administering the operation of 183 contract offices throughout the state to provide license, title, and registration services. Historically, such contracts have been awarded on a sole-source basis to individuals, not-for-profit entities, and civic organizations pursuant to Section 136.055. The Department, for the first time, began seeking to award contracts through full and open bid competition, awarding the first contract on January 1, 2007.

The CSD issues titles for all Missouri motor vehicles, trailers, and marine craft; and issues and sells over 500 different types of license plates which can be classified into six major categories: passenger, truck, trailer, motorcycle, bus, and dealer. Customers may obtain a multi-year plate that is renewed annually or bi-annually with the issuance of tabs. Dealer and three-year trailer plates are renewed by the issuance of a new plate. The personalized license plate was also made available to the public in 1978 for an additional charge of \$15 per year.

The division issues five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). All applicants must show proof of lawful presence, proof of identity, and proof of residency before a driver license, nondriver license, or permit can be issued. The driver license process also includes allowing customers to contribute to the organ donor program or blind awareness fund, register with the selective services, add endorsements or restrictions to licenses, and an opportunity to register to vote. The CSD is also responsible for administering the suspension or revocation of driver licenses for violations of state laws, and collecting driver license reinstatement fees.

An organization chart follows:

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
ORGANIZATION CHART
JUNE 30, 2007



Appendix A

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
COMPARATIVE SCHEDULE OF TRANSACTIONS AND COLLECTIONS
MOTOR VEHICLE BUREAU

	Year Ended June 30,					
	2007		2006		2005	
	Number of Transactions *	Collections	Number of Transactions*	Collections	Number of Transactions*	Collections
TAXES						
Sales Tax (State, Education, Conservation, Parks/Soil)	793,573	\$ 350,261,999	680,366	\$ 292,929,864	782,058	\$ 334,084,782
Local Taxes	979,098	237,206,143	1,074,443	187,073,335	1,247,683	209,541,157
Highway Use Taxes	503,977	71,563,994	396,443	50,489,080	465,887	60,712,243
DECALS						
Motor Fuel Tax-LP	1,054	111,541	1,438	147,484	1,296	135,442
Marine	33,986	117,477	25,512	88,908	30,900	102,275
ATV	39,962	410,424	31,478	321,853	34,913	356,509
Water Craft	131,039	4,640,941	85,120	1,423,650	112,094	1,863,253
REGISTRATIONS						
Passenger	3,528,940	88,658,042	3,180,141	80,675,816	3,376,144	84,902,250
Truck	1,486,684	60,977,746	1,377,793	56,810,818	1,447,979	57,857,930
Title	2,203,386	18,433,323	1,857,135	15,527,495	2,085,939	17,271,528
Trailer	359,972	7,103,389	329,307	6,311,598	333,409	6,334,254
Motorcycle	142,721	1,191,271	110,350	919,120	112,532	945,865
Bus	11,924	412,451	10,821	378,530	11,246	378,227
Documented vessel	2,290	18,877	2,424	24,837	2,356	22,296
Dealer	105,356	2,794,909	103,186	2,813,401	103,439	2,783,709
Water Patrol	1,376	90,083	1,629	50,703	1,604	50,139
PLATES AND TABS						
Plate reservations	175,934	2,597,876	161,077	2,401,838	171,414	2,573,564
Replacement plates and tabs	80,327	590,200	71,321	515,932	83,059	606,127
MISCELLANEOUS						
Motor vehicle transactions	878,123	3,002,165	873,166	3,713,778	1,266,960	4,125,480
Marine transactions	26,705	50,059	24,490	51,267	28,012	52,875
ATV transactions	9,048	858,891	7,666	558,154	8,727	589,484
MFG Home transactions	3,866	202,628	5,002	178,086	5,383	172,468
OTHER RECEIPTS						
Motor vehicle permits	532,193	3,838,406	538,154	3,897,070	549,780	3,987,636
Title and renewal penalties	751,645	21,138,169	629,285	17,397,564	642,650	18,514,438
Documented vessel in lieu tax	1,411	2,884,165	1,587	3,326,103	1,524	3,215,488
Information sales	1,064,936	500,333	1,032,149	483,858	1,023,101	479,517
Fax fees	28	28	36	36	27	27
Childrens Trust Fund donations	6,516	214,688	6,859	184,528	7,645	203,540
WWII Memorial Trust Fund donations	2,534	23,367	1,975	18,445	1,451	12,670
Blindness Awareness Trust Fund donations	16,293	17,101	5,311	6,010	14,367	15,989
Organ Donor Fund	19,849	22,255	6,941	7,870	13,311	14,004
Criminal Record Check	11,792	59,246	12,191	61,170	13,305	66,589
Emblem/Logo Use Fees	384	4,589	148	3,334	86	2,620
DOR Specialty Plate Fund	10	10,200	6	29,750	0	0
General Revenue	2	50	1	16	0	0
Total	13,906,934	\$ 880,007,026	12,644,951	\$ 728,821,301	13,980,281	\$ 811,974,375

* One process may include multiple transactions. For example, titling of a motor vehicle may include state and local sales tax transactions, a titling fee transaction, and a processing fee transaction.

Appendix B

DEPARTMENT OF REVENUE
 MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
 COMPARATIVE SCHEDULE OF TRANSACTIONS AND COLLECTIONS
 DRIVERS LICENSE BUREAU

	Year Ended June 30,					
	2007		2006		2005	
	Number of Transactions	Collections	Number of Transactions	Collections	Number of Transactions	Collections
LICENSES AND PERMITS						
Operators licenses	783,437	\$ 9,572,863	825,631	\$ 10,005,075	686,253	\$ 8,180,536
Chauffeurs licenses	59,303	1,685,670	71,281	1,979,180	54,214	1,531,945
Commercial licenses	53,391	2,071,939	59,862	2,226,825	47,431	1,808,895
Motorcycle licenses	156	2,075	471	1,952	407	1,507
Duplicate licenses	243,561	2,027,935	270,142	1,983,320	293,428	2,239,061
Valid without photo	1	3	0	0	1	15
Instruction permits	161,166	229,109	155,558	222,904	161,819	228,260
School bus permits	1	3	(1)	(3)	6,451	19,356
Student permits	6,350	6,350	8,550	8,550	8,485	8,485
Identification cards	194,447	1,166,665	200,988	1,006,868	236,543	1,159,882
Service charges	402	4,063	393	3,893	708	7,009
Commercial written and skills tests	38,222	955,498	39,454	986,355	38,036	950,818
Total receipts from licenses and permits	1,540,437	17,722,173	1,632,329	18,424,919	1,533,776	16,135,769
Reinstatement fees	85,780	3,146,140	82,572	3,059,578	84,661	3,113,870
Drivers record checks	866,537	1,174,728	810,716	1,099,047	859,242	1,352,422
Third party tester application fees	44	4,400	40	4,000	48	4,800
Overages	659	48,192	582	46,477	770	56,641
Blindness Awareness Fund donations	67,080	67,081	59,223	59,223	75,042	75,042
Organ donor contributions	97,998	97,998	86,659	86,659	114,252	113,659
Processing fees	4,720	22,152	4,474	22,614	357,550	1,449,222
Miscellaneous	219,000	41,759	137,588	48,304	168,902	72,816
Total	2,882,255	\$ 22,324,623	2,814,183	\$ 22,850,821	3,194,243	\$ 22,374,241

Note: The processing fees shown above relate only to state run branch offices. The department does not track processing fees collected by contract agents for drivers license transaction processing. During the majority of fiscal year 2005, the department had 11 state run branch offices and the Jefferson City Mini Branch that provided drivers license transaction processing. However, during calendar year 2005, the department closed the 11 state run branch offices and converted them into contract agent offices. The decrease in the total amount collected for processing fees between fiscal years 2005 and 2006 reflects the closing of these 11 state run branch offices.

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

Contract Offices and Other	Number of Transactions *	Collections
AAA St. Louis	42,559	\$ 3,511,396
Affton	101,817	7,951,232
Alton	13,536	558,099
Arnold	81,930	6,616,849
Aurora	35,308	2,198,513
Ava	29,869	1,602,193
Belton	104,317	9,444,586
Bethany	22,138	1,365,444
Blue Springs	158,713	13,375,976
Bolivar	62,817	3,602,857
Bonne Terre	52,878	3,429,390
Boonville	36,186	2,598,749
Bowling Green	21,539	1,478,503
Branson	70,718	5,784,719
Bridgeton	83,881	7,279,480
Brookfield	32,278	1,976,094
Buffalo	41,071	2,378,679
Butler	38,757	2,657,008
Cabool	9,780	598,452
California	25,556	1,751,901
Camdenton	104,755	7,946,891
Cameron	28,199	2,018,370
Cape Girardeau	84,768	6,742,896
Carrollton	22,976	1,546,995
Carthage	83,956	5,179,835
Caruthersville	38,518	2,779,529
Cassville	55,182	3,432,080
Chaffee	38,875	2,530,387
Charleston	28,756	2,109,054
Chesterfield	109,689	13,328,042
Chillicothe	37,493	2,395,259

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions *</u>	<u>Collections</u>
Clayton	130,397	13,646,441
Clinton	56,301	3,508,249
Columbia	240,301	19,682,146
Crane	18,691	1,003,005
Creve Coeur	116,792	10,975,061
Cuba	28,217	1,730,553
De Soto	51,343	3,511,541
Deer Creek	151,258	14,501,781
Des Peres	114,247	12,073,769
Dexter	63,113	4,407,273
Doniphan	42,646	1,956,553
Edina	12,698	800,944
Eldon	72,830	5,233,419
Ellington	14,811	756,952
Elsberry	7,305	506,430
Eminence	15,065	634,475
Excelsior	58,331	4,499,246
Farmington	87,882	5,922,625
Fayette	16,942	1,196,085
Ferguson	139,614	6,357,498
Florissant	156,403	13,375,064
Forsyth	38,016	2,486,644
Fredericktown	27,988	1,641,789
Fulton	56,750	3,666,264
Gainesville	20,503	1,137,295
Gallatin	15,615	1,118,780
Gladstone	149,453	12,159,451
Glenstone (Springfield)	151,133	10,557,111
Grandview	149,444	13,167,144
Grant City	5,135	299,750
Greenfield	17,559	1,107,161

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

Contract Offices and Other	Number of Transactions *	Collections
Greenville	27,639	1,399,601
Hannibal	41,089	2,901,202
Harrisonville	80,087	5,916,080
Hartville	16,843	822,336
Harvester	165,101	15,792,167
Hermann	20,924	1,450,579
Hermitage	29,022	1,487,945
High Ridge	130,430	8,923,254
Houston	25,713	1,447,598
Imperial	73,694	6,135,959
Independence	151,960	12,615,990
Ironton	26,103	1,413,318
Jackson	68,637	4,780,335
Jefferson City	181,892	12,929,647
Joplin	187,935	12,934,582
Kahoka	19,116	1,079,394
Kansas City	111,494	9,708,156
Kennett	49,682	3,032,263
Keytesville	13,912	1,000,641
Kingston	15,851	1,116,148
Kirksville	49,301	2,960,175
Lakeview	50,737	3,863,103
Lamar	31,229	1,943,042
Lancaster	9,560	521,359
Lebanon	89,810	5,274,644
Lee's Summit	192,663	20,441,219
Lexington	52,226	4,128,508
Liberty	201,316	16,372,091
Licking	18,439	902,039
Linn	19,709	1,251,433
Louisiana	14,749	1,013,174

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

Contract Offices and Other	Number of Transactions *	Collections
Macon	34,188	2,438,293
Malden	37,103	2,001,077
Marble Hill	27,386	1,555,726
Marshall	47,788	3,313,819
Marshfield	70,253	4,562,029
Maryville	37,988	2,657,846
Maysville	11,587	780,171
Memphis	11,029	676,424
Mexico	48,993	3,542,195
Milan	15,936	940,215
Moberly	440,994	3,992,432
Monett	39,990	2,459,832
Monroe City	12,969	821,545
Montgomery City	25,592	1,720,666
Monticello	18,810	1,282,556
Mound City	11,668	894,030
Mount Vernon	28,754	1,821,584
Mountain Grove	33,326	1,927,194
Mountain View	26,316	1,427,712
Neosho	73,833	4,437,465
Nevada	49,113	2,789,361
New London	19,658	1,377,292
New Madrid	25,746	1,848,128
Nixa	79,086	6,108,645
North County	136,997	10,537,249
North Kansas City	128,316	11,378,276
Northside	48,008	2,622,858
O'Fallon	148,948	14,634,928
Oakville	81,312	6,480,460
Olivette	101,599	8,675,030
Osceola	20,401	929,815

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

Contract Offices and Other	Number of Transactions *	Collections
Overland	57,932	4,034,054
Owensville	33,511	2,005,958
Ozark	86,921	6,045,007
Pacific	60,438	4,757,411
Palmyra	20,270	1,394,873
Paris	13,183	834,515
Parkville	89,516	8,902,342
Perryville	45,034	2,952,032
Pineville	42,450	2,848,039
Platte City	97,622	6,010,474
Plattsburg	31,622	2,047,805
Poplar Bluff	103,500	6,310,903
Potosi	46,832	2,855,075
Princeton	9,971	700,673
Raytown	182,600	14,664,606
Republic	117,771	7,657,923
Richmond	33,456	2,340,987
Rock Port	16,665	1,150,684
Rock Road	(2)	(33,687)
Rolla	91,207	5,560,773
Salem	37,004	2,039,872
Sarcoxi	13,164	737,094
Savannah	43,141	3,513,355
Sedalia	106,609	7,312,384
Shelbina	15,535	1,112,471
Sikeston	66,848	4,914,963
South County	161,621	14,249,855
South Fremont (Springfield)	237,131	14,559,854
South Kingshighway	117,547	8,757,737
Springfield	90,491	5,728,774
St. Charles	197,656	15,574,861

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

Contract Offices and Other	Number of Transactions *	Collections
St. Clair	34,136	2,161,011
St. Joseph	168,210	12,514,300
St. Louis City Hall	78,783	6,889,380
Stanberry	15,302	1,014,464
Ste Genevieve	34,017	2,322,819
Steelville	17,639	1,027,840
Stockton	27,270	1,534,488
Sugar Creek	76,765	5,206,484
Sullivan	38,833	2,693,983
Thayer	10,939	599,512
Trenton	22,685	1,518,232
Troy	97,070	7,428,546
Twin City	89,406	6,553,045
Union	60,629	4,224,451
Unionville	12,739	793,615
Van Buren	14,320	790,865
Vandalia	8,481	538,310
Versailles	47,431	2,788,371
Viburnum	7,298	477,749
Vienna	20,867	1,242,206
Warrensburg	92,764	6,899,810
Warrenton	55,567	4,063,648
Warsaw	47,465	2,878,912
Washington	53,004	4,279,682
Waynesville	91,858	6,366,805
Wentzville	104,972	10,234,745
West County	133,375	11,996,853
West Plains	73,866	4,207,580
Willow Springs	13,979	766,516

Appendix C

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE AND OTHER
MOTOR VEHICLE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions *</u>	<u>Collections</u>
Returned Items Corrections	(17,590)	(1,803,914)
Returned Items Collections	16,925	1,319,489
JC Direct Mail	1,078,089	17,086,175
JC Central-TRIPS	182,131	5,091,490
Lien Internet Filing Exchange (LIFE)	741,656	354,843
Missouri Online Registration Exchange (MORE)	102,659	2,420,272
	<u>13,906,934</u>	<u>\$ 880,007,026</u>

* One process may include multiple transactions. For example, titling of a motor vehicle may include state and local sales tax transactions, a titling fee transaction, and a processing fee transaction.

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
AAA St. Louis	11,113	\$ 107,170
Affton	15,248	167,717
Alton	1,252	13,295
Arnold	18,514	171,216
Aurora	4,401	45,203
Ava	3,651	37,756
Belton	15,783	152,664
Bethany	2,671	29,827
Blue Springs	21,416	226,247
Bolivar	7,974	82,505
Bonne Terre	7,059	70,834
Boonville	6,720	54,876
Bowling Green	3,559	33,286
Branson	12,939	121,051
Bridgeton	21,330	236,109
Brookfield	4,737	40,644
Buffalo	4,649	50,232
Butler	4,752	44,463
Cabool	1,082	12,572
California	2,802	29,594
Camdenton	12,935	119,505
Cameron	3,861	39,993
Cape Girardeau	15,249	154,531
Carrollton	2,771	30,324
Carthage	9,469	107,317
Caruthersville	5,431	50,849
Cassville	5,953	66,408
Chaffee	3,803	40,532
Charleston	3,344	36,167
Chesterfield	15,638	168,783
Chillicothe	6,199	53,647

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
Clayton	16,392	169,120
Clinton	6,662	71,703
Columbia	51,227	474,662
Crane	1,672	18,292
Creve Coeur	18,022	175,262
Cuba	4,085	46,456
De Soto	6,764	71,208
Deer Creek	38,623	361,034
Des Peres	25,123	181,687
Dexter	7,590	74,215
Doniphan	4,398	46,629
Edina	1,379	14,798
Eldon	9,534	88,069
Ellington	1,443	15,397
Elsberry	1,143	8,516
Eminence	1,376	15,112
Excelsior	7,960	85,501
Farmington	10,740	111,812
Fayette	1,815	20,891
Ferguson	18,004	157,000
Florissant	36,237	335,937
Forsyth	4,277	37,741
Fredericktown	3,630	40,847
Fulton	9,467	79,466
Gainesville	2,148	24,029
Gallatin	1,969	21,495
Gladstone	29,724	283,408
Glenstone (Springfield)	28,779	298,351
Grandview	27,014	269,865
Grant City	727	6,736
Greenfield	2,249	22,253

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
Greenville	2,728	29,090
Hannibal	7,292	68,209
Harrisonville	12,880	124,108
Hartville	2,172	21,055
Harvester	23,785	267,985
Hermann	2,846	25,437
Hermitage	3,490	27,909
High Ridge	16,726	184,224
Houston	3,127	33,850
Imperial	16,666	124,237
Independence	41,075	423,164
Ironton	3,207	31,838
Jackson	7,737	83,786
Jefferson City-Contract	35,218	284,362
Joplin	40,678	330,437
Kahoka	1,982	23,157
Kansas City	48,679	405,428
Kennett	7,898	67,147
Keytesville	1,710	16,763
Kingston	1,894	19,310
Kirksville	10,445	80,114
Lakeview	5,504	59,938
Lamar	3,655	40,104
Lancaster	904	10,399
Lebanon	12,098	118,249
Lee's Summit	37,989	348,011
Lexington	5,742	63,499
Liberty	23,283	236,116
Licking	1,706	20,644
Linn	2,412	21,119
Louisiana	1,662	17,332

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
Macon	4,309	45,119
Malden	5,208	59,992
Marble Hill	2,998	29,366
Marshall	7,584	67,623
Marshfield	8,106	89,703
Maryville	6,722	62,432
Maysville	1,178	13,160
Memphis	1,253	15,096
Mexico	6,537	73,154
Milan	1,686	17,546
Moberly	7,872	85,063
Monett	4,823	49,823
Monroe City	1,524	16,509
Montgomery City	4,070	33,168
Monticello	1,977	23,264
Mound City	1,408	14,564
Mount Vernon	3,637	37,245
Mountain Grove	4,254	45,538
Mountain View	2,595	29,356
Neosho	10,663	99,430
Nevada	6,234	66,917
New London	1,811	20,248
New Madrid	3,045	30,529
Nixa	10,638	112,584
North County	36,245	363,251
North Kansas City	26,137	250,123
Northside	29,466	258,512
O'Fallon	21,647	243,040
Oakville	14,101	145,747
Olivette	15,758	162,317
Osceola	2,214	20,210

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
Overland	10,882	106,640
Owensville	3,945	41,628
Ozark	9,239	100,224
Pacific	7,270	81,531
Palmyra	3,503	36,698
Paris	1,129	12,991
Parkville	17,868	154,777
Perryville	5,472	59,441
Pineville	4,962	52,106
Platte City	8,715	87,623
Plattsburg	4,804	39,812
Poplar Bluff	13,624	140,301
Potosi	6,208	59,695
Princeton	1,506	13,652
Raytown	49,618	447,193
Republic	13,253	142,288
Richmond	4,557	44,291
Rock Port	2,247	21,236
Rolla	14,233	143,579
Salem	4,213	46,203
Sarcoxi	1,229	13,010
Savannah	4,445	45,530
Sedalia	14,529	156,556
Shelbina	1,695	18,780
Sikeston	11,919	116,172
South County	25,714	274,462
South Fremont (Springfield)	23,898	252,351
South Kingshighway	43,300	414,163
Springfield	34,836	328,107
St. Charles	42,926	361,858
St. Clair	4,806	47,725

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
St. Joseph	30,550	286,152
St. Louis City Hall	14,488	100,510
Stanberry	2,017	20,706
Ste Genevieve	3,824	39,305
Steelville	2,415	20,927
Stockton	2,798	29,722
Sugar Creek	12,399	114,748
Sullivan	5,512	54,155
Thayer	1,190	14,158
Trenton	3,031	31,948
Troy	12,846	142,925
Twin City	13,983	143,043
Union	10,296	87,853
Unionville	1,544	16,662
Van Buren	1,193	14,046
Vandalia	835	9,966
Versailles	4,568	48,222
Viburnum	652	6,647
Vienna	2,009	21,372
Warrensburg	17,727	151,190
Warrenton	10,073	83,500
Warsaw	5,306	50,062
Washington	10,130	90,896
Waynesville	12,397	110,587
Wentzville	13,595	157,020
West County	32,882	268,045
West Plains	9,444	100,834
Willow Springs	1,584	17,768
Returned Items Collections	1,327	16,519
Returned Items Corrections	(1,543)	(15,444)

Appendix D

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF TRANSACTIONS AND COLLECTIONS BY OFFICE
AND OTHER
DRIVERS LICENSE BUREAU
YEAR ENDED JUNE 30, 2007

<u>Contract Offices and Other</u>	<u>Number of Transactions</u>	<u>Collections</u>
Jefferson City Central-Reinstatement	59,145	2,640,078
Jefferson City Mini Branch	6,199	47,129
Jefferson City-Central Print	60,002	9
Jefferson City-Mail In	5,018	35,269
Jefferson City-Missouri State Highway Patrol	6,861	0
Jefferson City-Student Permits	6,750	6,750
Jefferson City-Third party Tester	700	8,290
Record Check	822,595	1,081,972
	<u>2,882,255</u>	<u>\$ 22,324,623</u>

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
AAA St. Louis	24,428	\$ 62,197
Affton	52,764	182,128
Alton	7,856	22,511
Arnold	38,100	126,941
Aurora	16,211	57,071
Ava	16,103	54,223
Belton	47,561	173,059
Bethany	12,807	42,061
Blue Springs	51,763	218,009
Bolivar	31,864	107,184
Bonne Terre	28,179	96,389
Boonville	20,531	70,280
Bowling Green	12,172	40,584
Branson	27,903	98,124
Bridgeton	42,097	142,899
Brookfield	18,829	62,884
Buffalo	19,094	62,974
Butler	20,662	70,688
Cabool	5,027	16,748
California	15,378	51,496
Camdenton	48,701	164,604
Cameron	13,067	43,248
Cape Girardeau	37,324	138,296
Carrollton	12,487	43,984
Carthage	43,443	147,378
Caruthersville	19,630	63,774
Cassville	27,810	95,748
Chaffee	19,871	67,043
Charleston	15,082	50,529
Chesterfield	58,206	201,999

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
Chillicothe	20,918	71,138
Clayton	71,803	230,319
Clinton	26,636	90,529
Columbia	112,879	402,868
Crane	9,623	34,053
Creve Coeur	49,983	202,604
Cuba	13,990	47,892
De Soto	26,715	91,677
Deer Creek	85,365	292,323
Des Peres	60,836	214,473
Dexter	30,038	107,793
Doniphan	12,996	42,440
Edina	7,789	26,466
Eldon	35,576	126,094
Ellington	7,774	26,772
Elsberry	4,173	14,096
Eminence	7,835	25,786
Excelsior	33,965	111,871
Farmington	43,843	149,937
Fayette	9,096	30,588
Ferguson	32,732	109,742
Florissant	80,335	284,787
Forsyth	20,427	67,393
Fredericktown	14,627	49,078
Fulton	30,673	102,435
Gainesville	11,284	38,110
Gallatin	9,545	31,333
Gladstone	71,796	248,691
Glenstone (Springfield)	74,852	258,050
Grandview	61,587	232,527
Grant City	2,968	9,931

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
Greenfield	9,696	32,421
Greenville	13,725	45,969
Hannibal	22,390	75,543
Harrisonville	39,022	130,891
Hartville	8,482	28,202
Harvester	86,352	292,290
Hermann	12,079	40,426
Hermitage	15,830	52,573
High Ridge	67,273	227,475
Houston	14,103	46,809
Imperial	31,901	110,121
Independence	81,254	270,503
Ironton	14,329	47,078
Jackson	33,305	117,720
Jefferson City	107,711	356,497
Joplin	101,881	351,420
Kahoka	10,348	34,621
Kansas City	23,310	153,152
Kennett	24,031	79,210
Keytesville	8,396	28,344
Kingston	9,403	31,333
Kirksville	24,432	81,312
Lakeview	24,122	88,910
Lamar	15,724	52,855
Lancaster	5,013	16,827
Lebanon	46,409	150,344
Lee's Summit	73,298	335,915
Lexington	26,755	91,364
Liberty	65,752	286,850
Licking	9,856	32,302
Linn	10,688	35,880

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
Louisiana	8,459	28,446
Macon	19,507	65,587
Malden	19,394	63,875
Marble Hill	14,434	48,150
Marshall	26,437	88,602
Marshfield	37,594	124,929
Maryville	21,888	73,505
Maysville	6,317	21,009
Memphis	6,962	23,334
Mexico	28,213	94,292
Milan	8,364	27,950
Moberly	31,430	103,990
Monett	21,953	78,348
Monroe City	7,663	25,808
Montgomery City	14,388	48,820
Monticello	10,067	33,866
Mound City	6,556	22,325
Mount Vernon	15,569	52,362
Mountain Grove	19,296	63,381
Mountain View	13,496	44,633
Neosho	35,089	115,483
Nevada	26,566	91,044
New London	10,777	36,291
New Madrid	13,291	44,611
Nixa	36,171	130,988
North County	66,621	227,974
North Kansas City	60,390	201,858
Northside	22,206	74,726
O'Fallon	68,283	270,378
Oakville	42,992	148,570
Olivette	44,022	149,961

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
Osceola	10,476	35,565
Overland	31,164	105,322
Owensville	18,729	62,896
Ozark	49,318	157,676
Pacific	34,201	114,134
Palmyra	11,648	39,754
Paris	7,735	26,164
Parkville	49,209	163,539
Perryville	22,578	78,248
Pineville	22,335	74,797
Platte City	44,020	190,931
Plattsburg	14,960	51,345
Poplar Bluff	43,568	177,720
Potosi	23,124	75,343
Princeton	5,928	19,857
Raytown	97,802	325,520
Republic	62,670	215,347
Richmond	17,458	58,193
Rock Port	9,263	30,661
Rolla	44,616	142,626
Salem	22,403	72,467
Sarcoxi	6,803	22,842
Savannah	22,429	78,072
Sedalia	41,685	186,937
Shelbina	8,764	29,403
Sikeston	32,051	107,268
South County	73,244	246,411
South Fremont (Springfield)	123,048	400,359
South Kingshighway	58,438	196,645
Springfield	47,355	157,971
St. Charles	87,399	293,441

Appendix E

DEPARTMENT OF REVENUE MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND FEES BY CONTRACT OFFICE YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
St. Clair	18,433	60,911
St. Joseph	78,258	272,239
St. Louis City Hall	31,810	105,684
Stanberry	8,792	29,400
Ste Genevieve	16,745	61,060
Steelville	8,719	29,795
Stockton	14,054	48,610
Sugar Creek	38,484	145,625
Sullivan	20,569	68,894
Thayer	5,780	18,991
Trenton	12,256	40,844
Troy	56,007	184,796
Twin City	46,618	161,208
Union	33,227	117,103
Unionville	7,977	26,341
Van Buren	7,982	25,714
Vandalia	4,883	16,654
Versailles	23,081	78,331
Viburnum	3,976	13,233
Vienna	10,846	35,952
Warrensburg	45,632	154,535
Warrenton	31,094	103,062
Warsaw	24,385	80,504
Washington	27,064	91,230
Waynesville	45,843	148,780
Wentzville	48,468	168,996
West County	52,966	206,367

Appendix E

DEPARTMENT OF REVENUE
MOTOR VEHICLE AND DRIVERS LICENSE PROCESSES
SCHEDULE OF CONTRACT AGENT TRANSACTIONS AND
FEES BY CONTRACT OFFICE
YEAR ENDED JUNE 30, 2007

<u>Contract Offices</u>	<u>Number of Transactions</u>	<u>Contract Agent Fees</u>
West Plains	37,952	125,136
Willow Springs	7,262	24,302
	<u>5,602,458</u>	<u>\$ 19,478,813</u>

Note: The total number of transactions and collections presented above do not include all contract agent fees collected and retained by contract agents. The department tracks only those contract agent fees related to Motor Vehicle Bureau transactions that are validated in the TRIPS. The department does not track contract agent fees related to Drivers License Bureau transactions. In addition, fees are not received by the department, but are retained by the contract agents.



Susan Montee, CPA
Missouri State Auditor

Village of Phillipsburg



March 2008

Report No. 2008-19

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

The following findings were included in our audit report on the Village of Phillipsburg, Missouri.

The Village of Phillipsburg operates a sewer system that provides service to approximately 100 customers with sewer system operating revenues in excess of \$30,000 annually. Many significant problems were identified in the control procedures related to the sewer system. The village does not perform adequate monthly reconciliations of total amounts billed, payments received, and amounts unpaid. Ledger cards for each customer were maintained in an unorganized manner. An independent approval of adjustments made to customer accounts is not always performed, controls over sewer deposits are in need of improvement, and there is not adequate segregation of duties related to the village's sewer system. The village also has not performed a formal review of the sewer rates for several years.

The village's budgets were not complete, and actual expenditures exceeded budgeted expenditures for the General Fund and the Sewer Operating Fund for the year ended December 31, 2006. In addition, the budgets for the years ended December 31, 2007 and December 31, 2006 were not approved until July 23, 2007 and March 21, 2006, respectively. The village's published semi-annual financial statements for the six months ended June 30, 2007 were incomplete and the annual financial report to the State Auditor's Office for 2006 did not contain all required information.

The village does not have a formal bidding policy. During the year ended December 31, 2006, bids were either not solicited or bid documentation was not retained in some instances. In addition, the village did not always enter into written contracts defining services to be provided and benefits to be received. Further, vendor invoices or other supporting documentation were not retained for some village expenditures.

Improvement is needed in the handling of closed meetings. Also, minutes from both open and closed meetings did not always include sufficient detail of matters discussed.

Also, included in the audit report are recommendations related to accounting controls and procedures, untimely audits, restricted revenues, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

VILLAGE OF PHILLIPSBURG

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Phillipsburg, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Phillipsburg. The scope of our audit included, but was not necessarily limited to, the years ended December 31, 2007 and 2006. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Phillipsburg.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Ted Fugitt, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF PHILLIPSBURG
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Sewer System Controls and Procedures
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Many significant problems were identified in the control procedures related to the sewer system. The village does not perform adequate monthly reconciliations of total amounts billed, payments received, and amounts unpaid, and ledger cards maintained for each customer were maintained in an unorganized manner. An independent approval of adjustments made to customer accounts is not always performed, controls over sewer deposits are in need of improvement, and there is not adequate segregation of duties related to the village's sewer system. The village also has not performed a formal review of the sewer rates for several years.

The village operates a sewer system that provides service to approximately 100 customers. The Public Water Supply District Number 3 of Laclede County reads the district's water meters and provides this usage information monthly to the village and the village bills for sewer services. The Village Clerk maintains a manual ledger for each customer to record usage, amounts due, paid, and delinquent. The Village Clerk generates and mails the monthly sewer bills, prepares the customer's ledger, and receives payments. An assistant village clerk helps with these duties. The Village Treasurer, who is also the Village Clerk's husband, deposits the sewer payments. The sewer system operating revenues were in excess of \$30,000 for the year ended December 31, 2006.

- A. The Village Clerk attempts to perform a monthly reconciliation of total amounts billed, payments received, and amounts unpaid for sewer services. However, the format of these reconciliations was not consistent and the reconciliations regularly contained unexplained differences. For example, the reconciliation for June 2007 did not appear to include delinquent amounts billed and contained an unexplained difference of \$2,079. Further, the village had two different reconciliations dated November 2007 with one showing an unidentified difference of \$335 and the other showing an unidentified difference of \$289. These two reconciliations appeared to be for different months with one being dated incorrectly.

Monthly reconciliations of total amounts billed, payments received, and amounts unpaid for sewer services, are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. These reconciliations should be documented in a clear and consistent manner with any discrepancies identified and resolved in a timely manner.

- B. Manual individual customer ledger sheets prepared by the Village Clerk were not always maintained in an organized and understandable manner. It was sometimes difficult to determine the amounts billed, paid, and delinquent without

interpretation from the Village Clerk. Accounting records should be maintained in a manner to ensure sewer fees are properly and easily accounted for.

- C. There is not always independent approval of adjustments posted to the sewer accounting records by the Village Clerk. To ensure that all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained of such adjustments.
- D. Controls over sewer deposits should be improved. Sewer deposits are recorded on each customer's ledger; however, a listing of deposits on hand is not prepared and reconciled to the sewer deposit bank account which had a balance of \$3,818 at December 31, 2006. As a result, there is no assurance that the records are accurate or complete.

The village can improve controls over sewer deposits by maintaining a control ledger of all sewer deposit receipts, disbursements, and balances and reconciling the balances to the sewer deposit bank account monthly. Any differences should be investigated and resolved.

- E. Adequate segregation of duties does not exist related to the village's sewer system. The Village Clerk prepares billings, receives and records payments on customer ledgers, and prepares deposits. As noted above, the Village Treasurer, who is also the Village Clerk's husband, deposits the sewer receipts.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, an adequate and independent review of reconciliations between sewer payments recorded and deposits should be performed and any differences investigated and documented.

- F. The village has not performed a formal review of the sewer rates for several years. The village adopted a new sewer rate plan in April 2006; however, formal rate studies were not documented to support the rate changes. Sewer fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The village should perform a detailed review of its sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation.

WE RECOMMEND the Board of Trustees:

- A. Ensure monthly reconciliations of total amounts billed, payments received, and amounts unpaid for sewer services, are documented in a clear and consistent manner and ensure any discrepancies identified are resolved in a timely manner.
- B. Ensure accounting records are maintained in a manner to properly and easily account for sewer fees.
- C. Require an independent review of all adjustments to customer sewer accounts be performed and ensure adequate documentation is retained of such adjustments.
- D. Maintain a control ledger of sewer deposit receipts, disbursements, and balances and reconcile the balances to the sewer deposit bank account monthly. Any differences should be investigated and resolved.
- E. Segregate the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an adequate and independent review of the reconciliations between utility payments deposited and recorded.
- F. Review sewer rates periodically to ensure revenues are sufficient to cover all costs of providing this service, but not set at a level which results in excessive fund balances.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We will continue performing the reconciliation and will ensure its accuracy in the future.*
- B. *We will review the records being maintained and make improvements as necessary.*
- C. *We will ensure to document the board's approval of all adjustments in the minutes.*
- D. *We are working on preparing a list of deposits held and reconciling it to the bank account monthly.*

E&F. We will consider these recommendations.

2. Budgets, Financial Statements, and Planning

The village's budgets were not complete, actual expenditures exceeded budgeted expenditures for the General Fund and the Sewer Operating Fund, and budgets were not

approved timely. Financial statements and annual financial reports prepared by the village were inaccurate and incomplete.

- A. The village's budgets were not complete. The village's 2007 and 2006 budgets did not include the Sewer Replacement and Extension Fund, the Sewer Debt Service Fund, and the Sewer Construction Fund. In addition, these budgets did not include a budget message, budget summary, actual revenues and expenditures for the two preceding budget years, the beginning and the estimated ending available resources, or the village's indebtedness. The village's budget only included estimated revenues and expenditures for the upcoming and preceding year and actual revenues and expenditures for the preceding year.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of village operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

- B. Actual expenditures exceeded budgeted expenditures for the General Fund and the Sewer Operating Fund for the year ended December 31, 2006 by \$1,275 and \$1,277, respectively, and the board did not comply with the requirements of state law regarding the excess expenditures. The Board of Trustees does not periodically compare actual revenues and expenditures to the budgeted amounts, and thus does not monitor overall activity. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for expenditure from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures.
- C. The budgets for the years ended December 31, 2007 and December 31, 2006 were not approved until July 23, 2007 and March 21, 2006, respectively. Section 67.070, RSMo, requires that if a new budget is not adopted by the beginning of the new year then the board should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the village, the budget should be adopted prior to the beginning of the fiscal year.
- D. The village's published semi-annual financial statements for the six months ended June 30, 2007 were incomplete, and financial statements were not published for the year ended December 31, 2006. Further, the annual financial report to the State Auditor's Office for 2006 included inaccuracies and did not contain all required information.

The published financial statements for the six months ended June 30, 2007 did not include activity of the Sewer Replacement and Extension Fund, the Sewer Debt

Service Fund, the Sewer Construction Fund, and the Sewer Deposit Fund; and financial statements were not published for the year ended December 31, 2006. In addition, the required annual financial report to the State Auditor's office did not include these funds or the indebtedness of the village. At December 31, 2006, the village had approximately \$212,000 in debt. Further, the financial statement summary section of the annual financial report to the State Auditor's Office was inconsistent with the detailed information presented for the General Fund as total receipts were \$5,000 higher in the summary than the detail. In addition, information in the financial statement summary section, for the CART Fund, contained a \$206 mathematical error. There was also no documented evidence that the annual report to the State Auditor's Office was reviewed and approved by the board.

Section 80.210, RSMo, requires the chairman of the board of trustees to prepare and publish semiannually, receipts and disbursements of the village or post the statements in six of the most public places in the village. In addition, Section 105.145, RSMo, requires the village to file an annual financial report with the State Auditor's Office which is to include a statement of indebtedness. Complete and accurate financial statements and reports are necessary to keep the citizens informed of the financial activity and condition of the village. Also, the board should review and approve financial statements and annual reports to ensure their accuracy.

WE RECOMMEND the Board of Trustees:

- A. Ensure budgets are prepared for all funds, and ensure budgets contain all information as required by state law.
- B. Periodically compare year-to-date expenditures with budgeted amounts to monitor the village finances and to ensure actual expenditures do not exceed budgeted amounts. If it is necessary to exceed budgeted expenditures, ensure compliance with the requirements of state law.
- C. Ensure budgets are prepared timely and in compliance with state law.
- D. Publish complete and accurate financial statements that provide the citizens an account of all of the financial activity, and ensure annual reports to the State Auditor's Office are complete, accurate, and include indebtedness of the village by documenting their review.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *Part of this has been implemented, and we will take steps to implement the rest.*

- B. *We will take steps to better monitor expenditures and will ensure the budget is amended as necessary.*
- C. *This will be done in the future.*
- D. *This recommendation has been implemented.*

3. Expenditures, Written Agreements, and Collateral Securities

The village does not have a formal bidding policy, and Forms 1099-Miscellaneous were not always prepared. The village does not have formal written agreements with its sewer superintendents and with an individual who performed general maintenance work. Vendor invoices and adequate supporting documentation were not obtained or retained for some expenditures, and invoices were not always marked paid or otherwise cancelled. Invoices were not always paid and monthly payments were not always made in a timely manner. The village did not require the bank to pledge adequate collateral and does not have a written agreement with its current depository bank.

- A. The village does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The village solicited bids for such items as mowing, general maintenance, cleaning, repair of a flag pole, and construction of a building to house both village equipment and a volunteer fire department substation. However, during the year ended December 31, 2006, bids were either not solicited or bid documentation was not retained in some instances. The village purchased sewer testing and repair services for \$4,840, sewer system parts for \$2,275, liability insurance for \$2,994, property insurance for \$910, and additional sewer testing and repair services for \$820 without soliciting bids.

Formal bidding procedures for purchases would provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The village has not established adequate procedures to identify non-employee wages which require a Form 1099-Miscellaneous. For example, Form 1099-Miscellaneous was not prepared by the village for the construction of a handicap ramp during 2006 totaling \$600. Section 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by

nonemployees (other than corporations) be reported to the federal government on Form 1099.

- C. The village did not always enter into written contracts defining services to be provided and benefits to be received.
- The village has not entered into written agreements with sewer superintendents who conducted tests and made repairs to the village's sewer system, or with an individual that performed general maintenance work. In addition, invoices prepared by one of the sewer superintendents and the general maintenance contractor did not always adequately document work performed and/or hours or dates worked. For example, an invoice from the sewer superintendent for March 2006 indicated the dates of service but not hours worked on those days, and did not provide an adequate description of services performed. Further, an invoice for general maintenance was for 25 hours of labor, but only indicated one date of service.
 - The village did not enter into written agreements with a tenant for the rental of village property.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, also requires contracts for political subdivisions to be in writing. In addition, to ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable compared to the services that were rendered.

- D. Vendor invoices or other supporting documentation were not retained for some village expenditures. During our review of specific expenditures, village officials could not locate vendor invoices for sewer system parts in December 2006 totaling \$2,275, and office supplies and a filing cabinet in March 2006 totaling \$164. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.
- E. During our review of specific expenditures, we noted numerous invoices not marked paid or otherwise cancelled to prevent reuse. It appears that with the constant turnover in employees, such controls were not always in place. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments.
- F. During the time period from April through July 2007, invoices were not always paid and some monthly payments and deposits were not always made in a timely manner due to a change in village clerks. For example, the village did not pay its

attorney his monthly retainer in accordance with the village ordinance, did not consistently make the required monthly loan payments to the United States Department of Agriculture (USDA) related to the sewer system, and did not make the required monthly deposits into its Sewer Debt Service account as required by loan agreements. The village has subsequently made all of these payments.

Good business practices require timely payments of invoices and required loan payments, and timely deposits into the Sewer Debt Service account. Failure to make timely payments and deposits could result in unnecessary penalties and interest and non compliance with loan requirements.

- G. The village did not require the bank to pledge adequate collateral for its bank accounts. For example, on September 10, 2007 when tax monies for village development were received from Laclede County, approximately \$46,000 was unsecured. In addition, the village does not have a written agreement with its current depository bank.

Section 110.020, requires the value of securities pledged to be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to possible loss in the event of bank failure.

In addition, a written depository agreement helps both the bank and the village understand and comply with the requirements of any banking arrangement. The village should ensure any depository agreement includes provisions that detail any bank fees for check printing, checking account services, and safe deposit boxes, interest charges on any borrowed funds, and interest rates for invested funds. The agreements should also include requirements to ensure adequate collateral securities are pledged by the bank to secure all village monies.

WE RECOMMEND to the Board of Trustees:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure 1099 forms are issued in accordance with IRS regulations.
- C. Enter into written agreements for applicable services and obtain adequate supporting documentation for all payments to vendors.
- D. Ensure adequate supporting documentation is retained for all expenditures.
- E. Ensure all invoices are properly cancelled, by marking the invoice 'Paid' to reduce the possibility of duplicate payments.
- F. Ensure invoices, required monthly payments, and deposits into the Sewer Debt Service account are made in a timely manner.

- G. Ensure all funds are covered by a collateral security agreement and that the depository bank pledges adequate securities at all times in accordance with state law. In addition, enter into a written agreement with the village's depository bank.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We will adopt a formal bidding policy.*
- B. *We will ensure the future Village Clerk does this.*
- C. *We will consider entering into written agreements for these services.*
- D, E,
&F. *These have been implemented.*
- G. *We will consider this.*

4. Board Meetings and Records

Village procedures for conducting and documenting closed meetings are not always in compliance with state law, and meeting minutes did not always include sufficient detail of matters discussed.

- A. Improvement is needed in the handling of closed meetings. Numerous closed sessions were held by the board, but the various requirements in Chapter 610, RSMo (the Sunshine Law) regarding closed meetings were not always followed.
- The minutes of open meetings do not always document the reasons for closing the meeting or the specific section of law that allows for the closed meeting.
 - Some issues discussed in closed meetings did not appear to be allowable per the Sunshine Law. These topics included contracting with a sewer superintendent, approving sending a letter to a village citizen over a disagreement, and approving contacting an attorney for possible future legal services since the village had decided not to renew the contract with their current village attorney. Discussion of such questionable topics appears to have become more prevalent after the board's decision to not have legal counsel present for all meetings.
 - The open meeting minutes did not always publicly disclose the final disposition of applicable matters discussed in closed sessions.

- The minutes of a closed meeting held on August 21, 2007 were not legible.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Further, Section 610.021, RSMo, of the Sunshine Law requires certain matters discussed in closed meetings be made public upon final disposition. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

- B. Both open and closed meeting minutes did not always include sufficient detail of matters discussed. Information provided in some of the Board of Trustees meeting minutes was generally brief in comparison to the length of the meetings, which according to the minutes lasted up to three or four hours.

In addition, during the April 17, 2007 board meeting, two board members resigned; however, there was no documentation in meeting minutes that the board accepted the resignations. The village's policy manual states, "to resign from Village office two parts are essential: There must be an offer by the official. There must be an acceptance by a quorum."

Complete and accurate minutes provide an official record of Board of Trustee actions and decisions. The minutes are the only official record of the actions of the Board of Trustees. Care should be taken to ensure the minutes are complete and document discussions or reasons behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the board's intentions, possible incorrect interpretation of the board's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions. In addition, since the village's policy manual represents legislation passed by the Board of Trustees to govern the village and its residents, it is important that these policies are followed.

WE RECOMMEND the Board of Trustees:

- A. Ensure minutes adequately document the reasons for going into closed meetings and publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, minutes should be maintained in a legible manner to support all closed meetings and only allowable topics should be discussed in closed meetings.
- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *We will become more informed on the Sunshine Law and seek to fully comply in the future.*
- B. *We will take this into consideration in the future.*

5. Accounting Controls and Procedures
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Improvements are needed in the village's handling of receipts. Bank reconciliations have not been performed monthly by either the current or former village clerk or board treasurers for all of the village's seven bank accounts. Only one signature on checks issued under \$500 is required, and the board's review and approval of expenditures is not adequately documented.

- A. The following concerns were noted related to receipts:
 - Rediform receipt slips are only issued for cash received. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt, and the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits.
 - Receipts are not always deposited intact or in a timely manner. The village indicated deposits are typically made twice a week, on Monday and Friday; however, eight receipts totaling \$268 of sewer fees (including \$25 cash) received on November 1 and 2, 2007 were held and not deposited until November 13, 2007. In addition, \$551 of Federal Emergency Management Assistance grant monies were received in August 2007, but were held and not deposited until January 19, 2008. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis.
- B. Bank reconciliations have not been performed and documented monthly by either the current or former village clerks or board treasurers for all of the village's seven bank accounts. Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis.
- C. The village only requires one signature on all checks issued under \$500. Dual signatures on all checks help provide assurance that checks represent payments for legitimate village expenditures.

- D. The board's review and approval of non-routine expenditures is not adequately documented. Although the board minutes document a general reference that invoices are approved for payment, a listing of all expenditures is not prepared to accompany the minutes. According to the village clerk, a folder containing all of the bills to be paid is made available to the board at each meeting. Non-routine expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all expenditures represent valid operating costs of the village. In addition, to adequately document the board's review and approval of all expenditures, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes.

WE RECOMMEND the Board of Trustees:

- A. Issue official prenumbered receipt slips for all monies received. Ensure the method of payment is recorded on each receipt slip, and the composition of receipts is reconciled to the composition of deposits. Deposit all monies intact and in a timely manner.
- B. Ensure bank reconciliations are prepared monthly for all village accounts.
- C. Ensure two signatures are required for all checks written by the village.
- D. Review and approve all non-routine expenditures of village funds prior to disbursements being made. The approval of expenditures should be adequately documented by including a listing of all approved expenditures in the board minutes and by performing a comparison of the listing to actual disbursements made.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *Prenumbered receipt slips are now issued for all monies received, and we will attempt to ensure timely deposits. We are now reconciling receipt slips, including composition, to deposits.*
- B. *This has been implemented.*
- C. *We will consider this.*
- D. *We have implemented procedures to address this.*

6.**Untimely Audits**

Annual audits have not been performed as required by state law, and a federal single audit was not performed timely. Section 250.150, RSMo, requires the village to obtain annual audits of the sewerage system. In addition, the village received over \$946,000 of federal sewer construction grant funds during the two years ended December 31, 2002 and as a result required a federal single audit. The village contracted with a Certified Public Accountant in May 2006 for a financial statement audit of the sewer system and a federal single audit for the two years ended December 31, 2002, which was not issued by the CPA until August 2007. The CPA indicated he has received no correspondence or confirmation from the Federal Audit Clearinghouse nor did our review of the website of the Federal Audit Clearinghouse indicate acceptance of this audit report. Timely audits of village funds would better enable the village to ascertain the financial condition of the village and to ensure the propriety and accuracy of financial transactions.

WE RECOMMEND the Board of Trustees obtain annual audits of the Sewer Fund, as required by state law. In addition, the village should obtain all required audits in a timely manner.

AUDITEE'S RESPONSE

The Board of Trustees provided the following response:

We will take this under advisement.

7.**Restricted Revenues**

The village has not established procedures to ensure that restricted revenues are expended only for their intended purpose and expenditures are properly allocated among funds.

- A. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle related revenues apportioned by the state of Missouri be expended for street-related purposes including policing, signing, lighting, and cleaning of roads and streets. The village deposits these revenues and unrestricted franchise fees (received from a local utility company) into a bank account and expends these funds for both street and park related purposes. The park related purposes included mowing the park and installing swings which do not appear to be an allowable use of the motor vehicle related revenues. The village has established a separate accounting for those revenues and for street and park expenditures; however, the village does not compare the street expenditures to the motor vehicle related revenues or maintain balances of motor vehicle related funds available to ensure these funds are only spent for street-related purposes. The village received

over \$8,400 of motor vehicle related revenues during the year ended December 31, 2006.

To ensure compliance with the Missouri Constitution, the village should establish procedures to compare street expenditures to the motor vehicle related revenues and maintain balances of motor vehicle related funds available.

- B. Documentation does not exist to support the allocation of some expenditures to the village's funds. Legal fees of the village's attorney and the salaries of the village clerks during the year ended December 31, 2006 totaling approximately \$3,609 and \$5,619, respectively, were paid from funds of the village based on prior percentages rather than detailed records of actual time spent. The village paid half of the legal fees and one-third of the clerks' salary from the General Fund and the remaining amounts were paid from the Sewer Operating Fund, however nothing in village records showed how these percentages were determined.

Detailed billings indicating the time spent and a description of work performed are provided by the village's attorney. In addition, time sheets are prepared by the village clerks, indicating the total hours worked; however, no documentation is maintained to separately indicate the number of hours related to general and sewer activities.

The funds of the village are established as separate accounting entities to account for specific activities of the village. Generally accepted accounting principles and various legal restrictions require revenues and expenses associated with specific activities be reflected in the fund established to account for those activities. Reflecting revenues and expenses in the proper fund is also necessary to accurately determine the results of operations of specific activities, thus, enabling the village to establish the level of taxation and/or user charges necessary to meet all operating costs. User rates should be set to cover costs of producing and delivering the service and not to generate profits to subsidize other services provided by village government. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

WE RECOMMEND the Board of Trustees:

- A. Establish procedures to compare street expenditures to the motor vehicle related revenues and maintain balances of motor vehicle related funds available. In addition, ensure these revenues are used only for street-related purposes.
- B. Ensure all allocations of expenditures are supported by adequate documentation.

AUDITEE'S RESPONSE

The Board of Trustees provided the following responses:

- A. *This will be implemented as best we can.*
- B. *We will take this under consideration.*

8. Capital Assets

The village does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make, and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. These property records should then be compared to the village's insurance coverage and to vehicle titles. In addition, all property items should be identified with a tag or other similar device, and the village should conduct annual inventories.

Adequate general capital asset records are necessary to secure better internal controls and safeguard village assets which are susceptible to loss, theft, or misuse; and to provide a basis for determining proper insurance coverage required on village property.

WE RECOMMEND the Board of Trustees ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. These property records should be compared to the village's insurance coverage and vehicle titles on hand. The village should also properly tag, number, or otherwise identify all applicable village property and conduct an annual inventory.

AUDITEE'S RESPONSE

The Board of Trustees provided the following response:

We will implement this.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF PHILLIPSBURG
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Village of Phillipsburg is located in Laclede County. The village was incorporated in 1912. The population of the village in 2000 was 201.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman is elected by the board and serves until a successor is elected by the board, and presides over the board of trustees. The Chairman, Board of Trustees, and other officials during the years ended December 31, 2007 and 2006, are identified below.

Board of Trustees	Dates of Service During the Years Ended December 31, 2007 and 2006	Compensation Paid for the Year Ended December 31,	
		2007	2006
Nancy Murrell, Board Member	September 2007-December 2007	\$ 0	N/A
Gary Poland, Board Member	April 2007-August 2007	0	N/A
Bonita Jones, Board Member and Chairman (1)	January 2006-April 2007	0	0
Leesa Padgett, Board Member and Chairman (2)	May 2007-December 2007	0	N/A
Ruby Oberbeck, Board Member (3)	January 2006-April 2007	2,474	1,751
Galen Millard, Board Member	June-December 2007	0	N/A
Craig Austin, Board Member	January 2006-June 2007	0	0
Paula Pierce, Board Member	November-December 2007	0	N/A
Jack Busbee, Board Member and Chairman (4)	May-October 2007	0	N/A
Patti Doing, Board Member	January 2006-April 2007	0	0
Eula Gibbs, Board Member	January-April 2006	N/A	0
Francis Massey, Board Member	September-December 2007	0	N/A
Karen Masters, Board Member (3)	April-September 2007	0	N/A
Connie Miller, Board Member	January 2006-April 2007	0	0

Other Officials	Dates of Service During the Year Ended December 31, 2007 and 2006	Compensation Paid for the Year Ended December 31,	
		2007	2006
Roxanne Millard, Village Clerk	May-December 2007	\$ 1,969	N/A
Eula Gibbs, Assistant Village Clerk	May-December 2007	1,203	N/A
Beth Stevens, Village Clerk	January-September 2006	N/A	3,868
Mel Gilbert, Village Attorney	January-December	4,387	3,609

- (1) Served as Chairman from January 2006 through April 2007.
- (2) Leesa Padgett was elected as Chairman by the board in October 2007 after Jack Busbee resigned.
- (3) Karen Masters was appointed as Village Clerk in April 2007 and resigned in May 2007. Ruby Oberbeck was appointed as Village Clerk in September 2006 to fill the position of Beth Stevens and resigned in April 2007. Compensation reported for Ruby Oberbeck was for serving as the Village Clerk.
- (4) Jack Busbee was elected as Chairman of the board in May 2007 and served until October 2007 when he resigned.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

ASSESSED VALUATIONS	2007	2006
Real estate	\$ 834,323	794,339
Personal property	345,788	342,844
Total	<u>\$ 1,180,111</u>	<u>1,137,183</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	2007	2006
	Rate	Rate
General Fund	\$ 0.4547	0.4587

TAX RATE(S) PER \$1 OF RETAIL SALES

	Rate
General	\$.0050

The General sales tax will expire in April 2008.

A summary of the village's financial activity for the years ended December 31, 2007 and 2006, is presented below:

Year Ended December 31, 2007

	General Fund	Sewer Operating Fund	CART Fund	Sewer Debt Service Fund	Sewer Replacement and Extension Fund	Sewer Construction Fund	Sewer Deposit Fund	Total
RECEIPTS:								
Laclede County Development Tax\$	50,000	0	0	0	0	0	0	50,000
Property taxes	4,638	0	0	0	0	0	0	4,638
Sales taxes	4,398	0	0	0	0	0	0	4,398
Franchise taxes	2,257	0	2,208	0	0	0	0	4,465
FEMA	0	3,931	2,808	0	0	0	0	6,739
Rent	7,400	0	0	0	0	0	0	7,400
Sewer fees	0	30,362	0	0	0	0	0	30,362
Sewer deposits	0	0	0	0	0	0	1,200	1,200
Interest	579	84	144	140	140	0	81	1,168
Motor fuel and vehicle fees	0	0	9,243	0	0	0	0	9,243
Other	288	1,150	207	0	0	9,470	0	11,115
Transfers in	0	0	0	1,332	1,332	0	0	2,664
Total Receipts	69,560	35,527	14,610	1,472	1,472	9,470	1,281	133,392
DISBURSEMENTS:								
Bookkeeping	4,072	1,876	0	0	0	0	0	5,948
Audit	0	3,040	0	0	0	3,040	0	6,080
Insurance	5,075	0	0	0	0	0	0	5,075
Utilities	2,731	1,860	0	0	0	0	0	4,591
Supplies	589	876	0	0	0	0	0	1,465
Library	160	0	0	0	0	0	0	160
Legal services	3,981	540	0	0	0	0	0	4,521
Building construction	11,426	0	0	0	0	0	0	11,426
Loan payments	0	13,224	0	0	0	0	0	13,224
Maintenance	0	13,346	4,555	0	0	0	0	17,901
Ice storm	0	6,457	2,654	0	0	0	0	9,111
Refunds and shutoffs	0	309	0	0	0	0	1,000	1,309
Street and park lights	0	0	3,773	0	0	0	0	3,773
Sewer construction	0	0	0	0	0	9,103	0	9,103
Election	2,677	0	0	0	0	0	0	2,677
Other	2,360	681	361	0	0	0	0	3,402
Transfers out	0	2,664	0	0	0	0	0	2,664
Total Disbursements	33,071	44,873	11,343	0	0	12,143	1,000	102,430
Receipts Over (Under) Disbursements	36,489	(9,346)	3,267	1,472	1,472	(2,673)	281	30,962
Cash Balance, January 1	62,980	17,814	15,301	6,278	6,278	2,673	3,818	112,193
Cash Balance, December 31	\$ 99,469	8,468	18,568	7,750	7,750	0	4,099	143,155

Year Ended December 31, 2006

	General Fund	Sewer Operating Fund	CART Fund	Sewer Debt Service Fund	Sewer Replacement and Extension Fund	Sewer Construction Fund	Sewer Deposit Fund	Total
RECEIPTS:								0
Property taxes	\$ 4,640	0	0	0	0	0	0	4,640
Sales taxes	4,582	0	0	0	0	0	0	4,582
Franchise taxes	3,647	0	0	0	0	0	0	3,647
Rent	8,451	0	0	0	0	0	0	8,451
Sewer fees	0	30,378	0	0	0	0	0	30,378
Sewer deposits	0	0	0	0	0	0	1,200	1,200
Interest	715	121	107	113	113	0	69	1,238
Motor fuel and vehicle fees	0	0	8,468	0	0	0	0	8,468
Other	144	2,345	0	0	0	4,900	0	7,389
Transfers in	0	0	0	1,332	1,332	0	0	2,664
Total Receipts	22,179	32,844	8,575	1,445	1,445	4,900	1,269	72,657
DISBURSEMENTS:								
Bookkeeping	2,192	5,160	0	0	0	0	0	7,352
Insurance	4,118	0	0	0	0	0	0	4,118
Utilities	2,250	1,373	0	0	0	0	0	3,623
Supplies	919	3,911	0	0	0	0	0	4,830
Library	120	0	0	0	0	0	0	120
Legal services	1,829	1,829	0	0	0	0	0	3,658
Building improvements	1,748	0	0	0	0	0	0	1,748
Park	455	0	0	0	0	0	0	455
Loan payments	0	13,224	0	0	0	0	0	13,224
Maintenance	0	5,469	3,916	0	0	0	0	9,385
Refunds and shutoffs	0	1,195	0	0	0	0	400	1,595
Street and park lights	0	0	4,413	0	0	0	0	4,413
Sewer construction	0	0	0	0	0	4,897	0	4,897
Other	1,109	200	1,013	0	0	0	0	2,322
Transfers out	0	2,664	0	0	0	0	0	2,664
Total Disbursements	14,740	35,025	9,342	0	0	4,897	400	64,404
Receipts Over (Under) Disbursements	7,439	(2,181)	(767)	1,445	1,445	3	869	8,253
Cash Balance, January 1	55,541	19,995	16,068	4,833	4,833	2,670	2,949	103,940
Cash Balance, December 31	\$ 62,980	17,814	15,301	6,278	6,278	2,673	3,818	112,193



Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of DeSoto Municipal Division



March 2008

Report No. 2008-18

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of DeSoto Municipal Division.

Bonds are not retrieved from the Police Department or deposited on a timely basis. The Court Clerk does not issue receipt slips for bonds received from other political subdivisions nor are bonds received from the Police Department adequately verified. In addition, bonds posted to the computer system are not reconciled to amounts deposited. Also, bond open-item listings are not reconciled to the bond bank account balance, and there are several old outstanding checks that have not been resolved. Finally, neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF DESOTO
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
DeSoto, Missouri

We have audited certain operations of the city of DeSoto Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended October 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent

person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of DeSoto Municipal Division of the Twenty-Third Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Katie Twiehaus

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF DESOTO
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Controls and Procedures
-----------	--------------------------------

Bonds are not retrieved from the Police Department or deposited on a timely basis. The Court Clerk does not issue receipt slips for bonds received from other political subdivisions nor are bonds posted to the computer system reconciled to amounts deposited. In addition, bond open-item listings are not reconciled to the bond bank account balance, and there were several old outstanding checks that had not been resolved.

A. Receipting and depositing procedures for bond receipts are in need of improvement.

- 1) Cash, checks, and money orders received by the Police Department for bonds are not retrieved by the Court Clerk on a timely basis. The Court Clerk retrieves the bond receipts from the Police Department once a week, usually each Monday. As a result, bond monies are not deposited on a timely basis.
- 2) The Court Clerk does not issue a receipt slip or maintain a log of bonds received from other political subdivisions. Also, bonds retrieved from the Police Department are not adequately verified. In addition, a report of bonds posted to the court's computer system is not generated or reconciled to bonds deposited.

Bonds from other political subdivisions are received and deposited by the Court Clerk; however, a receipt slip is not issued nor is a log maintained. The Police Department issues prenumbered receipt slips for bond monies collected. The Court Clerk retrieves bonds from the Police Department and issues a receipt slip for the total bonds retrieved; however, a copy of the receipt slip is not given to the Police Department. In addition, the Court Clerk does not compare the bond monies retrieved to the receipt slips issued by the Police Department to ensure all of the bonds have been accounted for properly.

The Court Clerk posts all bond receipts to the court's computer system, but does not generate a report of bonds posted to compare to amounts deposited.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all receipts are accounted for properly, bond receipts should be retrieved and deposited on a timely basis (preferably daily), receipt slips should be issued or a log maintained for all bonds received, bond receipts should be verified against applicable, available records, and a report of bonds posted to the court's computer system should be generated and agreed to amounts deposited.

- B. Listings of open items (liabilities) are not reconciled with the balance of the Bond Account. At October 31, 2007, the balance of the Bond Account was \$16,038, while the open items listing prepared by the Court Clerk totaled \$15,354, indicating a potential overage in the account of \$684.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors to be corrected on a timely basis. The Court Clerk should work with the Finance Clerk to investigate and resolve the current overage in the account.

- C. At October 31, 2007, the Bond Account had 2 and the Fines and Cost account had 5 outstanding checks totaling \$64 and \$196, respectively (written prior to 2002) that were at least five years old. Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

We also noted that 3 additional checks, totaling \$674, were listed as outstanding that had actually been voided and reissued but had not been removed from the Bond Account bank reconciliation. As a result, the Bond Account appears to have an overage compared to the bond open items listing (see part B above).

- D. As October 31, 2007, the Bond Account bank reconciliation had one reconciling item noted as "miscellaneous errors" totaling \$2,313. This reconciling item has been carried on the account since 2005. The Finance Clerk indicated this was an accumulation of bad check fees. Carrying old reconciling items forward each month creates additional, unnecessary record keeping responsibilities. Procedures should be established to routinely follow up on and resolve all reconciling items on the bank reconciliation.

WE RECOMMEND the city of DeSoto Municipal Division:

- A. Retrieve bond monies from the Police Department and deposit bond monies on a timely basis, preferably daily. Bonds retrieved from the Police Department should be compared to receipt slips issued by the department. Bond monies received in the mail should be receipted or recorded in a log at the time of receipt.

Deposits should be compared to the recorded transactions in the computer to properly account for all bonds.

- B. Prepare and reconcile a monthly detailed listing of open items. The Court Clerk should work with the Finance Clerk to investigate and correct any identified differences.
- C. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law. Voided checks should be reissued if necessary and removed from the outstanding check listing.
- D. Ensure procedures to routinely follow up and resolve reconciling items on the bank reconciliation are adopted.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, City Clerk/Assistant City Administrator, and the Finance Clerk indicated:

- A.1. *The Court Clerk is now picking up the bonds from the Police Department every day. The bond money is then entered and deposited every day.*
- 2. *The Court is now mailing a receipt to other political subdivisions when a bond is received.*

The Court is looking into getting pre-numbered bonds and receipts that match. Forms will be generated for the police officer to fill out and for the Court Clerk to initial when the bond is received, which will verify that all the money is accounted for. These forms have been ordered and this procedure will be implemented as soon as we receive the forms.

Once all bonds are posted, a report is now printed. This verifies that the deposit and postings match.

- B. *Currently, the report on outstanding bonds in the Court System is off by \$110.54 from the balance of the General Ledger and the bank statement. The General Ledger and the bank statement match, showing \$110.54 more than the Court System. The Court Clerk and Finance Clerk are going to get together on March 17, 2008, and work on this as time allows them. They are going to match the General Ledger entries to the Court entries. We are confident that they will find the difference.*

Now, at the end of the month, the Court's report of open bonds and the bank amount is reconciled. Any discrepancies are reviewed and resolved at that time.

- C. *The Court's voided checks have now been voided in the General Ledger and no longer show on our outstanding check register. The Court Clerk and Finance Clerk are going to back track the old outstanding checks and void them. The amount of those checks will be sent to unclaimed properties. This will also be started on March 17, 2008, and worked on as time allows.*
- D. *The "miscellaneous errors" that were on the bank reconciliation have been resolved. A check was written to the City for the amount outstanding.*

2. Ticket Controls and Procedures
--

Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and post tickets issued to their computer system. The Court Clerk posts the tickets received from the police department to the court's computer system. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition for each ticket issued.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of DeSoto Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, City Clerk/Assistant City Administrator, and the Finance Clerk indicated the Court Clerk spoke to the Records Clerk about the ticket book procedures and the Records Clerk is going to start having the officers keep a log of every ticket that they write. At the end of the month, the Records Clerk will run a report to make sure all of the tickets have been entered into the computer system.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF DESOTO
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of DeSoto Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At October 31, 2007, the municipal division employees were as follows:

Municipal Judge	Brian Hammon *
Court Clerk	Natasha Mouser
City Clerk/Asst. City Administrator	Arlene Burt

* Forest Wegge served as Municipal Judge prior to January 2007.

Brandi Agee, Assistant Court Clerk began employment on November 5, 2007. This is a new position.

Financial and Caseload Information

	Year Ended October 31,	
	2007	2006
Receipts	\$ 216,254	232,368
Number of cases filed	1,707	1,801



Susan Montee, CPA
Missouri State Auditor

State of Missouri
Single Audit
Year Ended
June 30, 2007



March 2008
Report No. 2008-17

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Single Audit includes the federal awards expended by all state agencies, except for the public universities and various financing authorities that provide their financial information directly to the federal government. State agencies expended \$8.8 billion of federal grant funds during the year ended June 30, 2007. Expenditures of federal awards have increased steadily over the past five years. Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent). These six departments are: Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Public Safety. Overall, the state expended federal awards in 308 different programs.

There are concerns regarding subrecipient monitoring in multiple departments, including Natural Resources, Public Safety, Social Services, and Transportation. Problems with subrecipient monitoring include not adequately ensuring audit reports are received timely and that adequate corrective action is taken on findings, not following up on audit report information that differs from grant records, not ensuring that expenditures of subrecipients were allowable, not adequately documenting monitoring visits, and not ensuring equipment purchased is properly used. In addition, the Department of Social Services does not consider certain entities to be subrecipients and, as a result, does not require the subrecipients to obtain audits in accordance with OMB Circular A-133.

The departments of Elementary and Secondary Education, Public Safety, and Social Services do not ensure that all entities paid more than \$25,000 are not suspended or debarred from receiving federal funds, as required by federal guidelines.

Several findings summarize prior reports issued by the State Auditor's Office that related to various federal programs including *Department of Health and Senior Services - Bioterrorism Program, Department of Health and Senior Services - Protecting Children at Child Care Providers, Early Childhood Development, Education, and Care Fund, and Social Service Child Support Delinquencies.*

Also included in the single audit report are recommendations related to the Department of Agriculture - State Mediation Grants, Department of Mental Health - Block Grants for Prevention and Treatment of Substance Abuse, and Department of Social Services - Adoption Assistance, Child Care Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care Development Fund, Temporary Assistance for Needy Families, and Rehabilitation Services - Vocational Rehabilitation Grants to States.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

STATE OF MISSOURI
SINGLE AUDIT

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STATE OF MISSOURI
SINGLE AUDIT

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INTRODUCTION AND SUMMARY

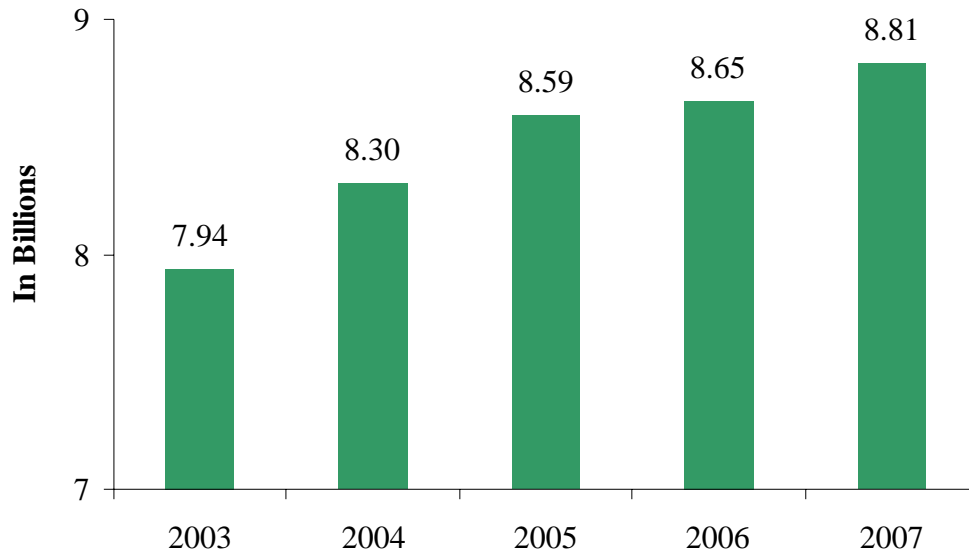
INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

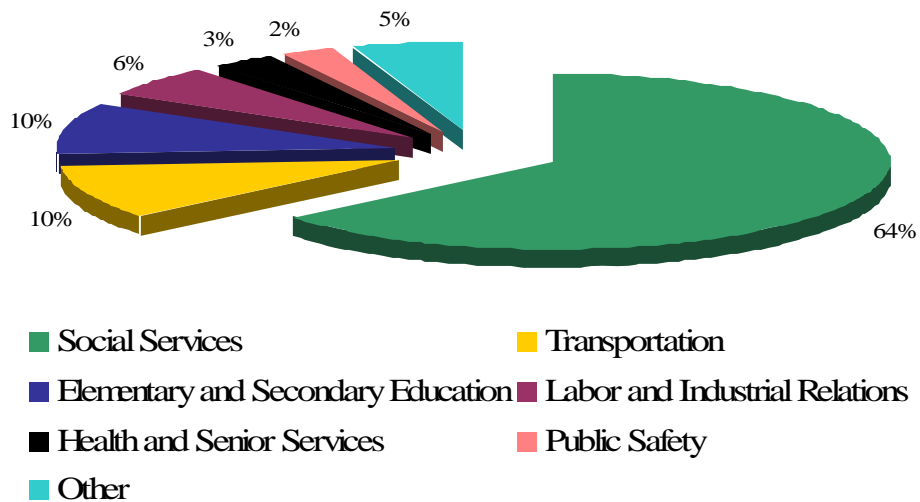
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$8.81 billion in federal awards during the year ended June 30, 2007. Expenditures of federal awards have increased over the past five years.

Total Expenditures of Federal Awards Five Year Comparison



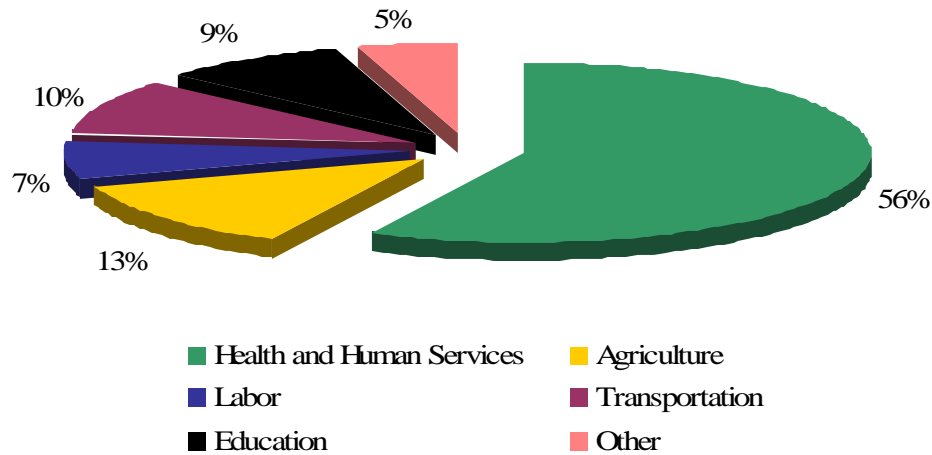
Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 20 different federal agencies. Most of the federal awards (95 percent) came from five federal agencies.

Expenditures of Federal Awards by Federal Department



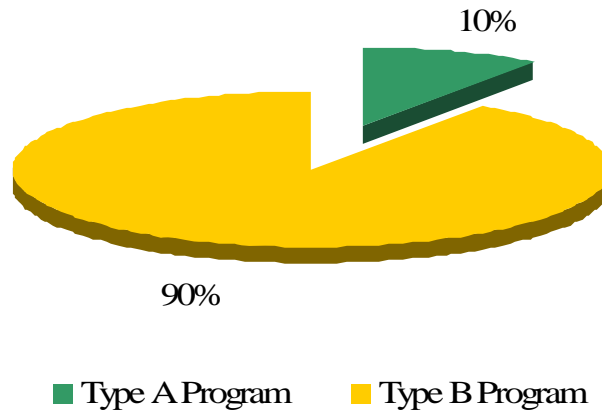
Overall, the state expended federal awards in 308 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

Determination of Type A Programs

Total expenditures of federal awards	\$ 8,807,333,984
Three-tenths of one percent	.003
Dollar Threshold	\$ 26,422,002

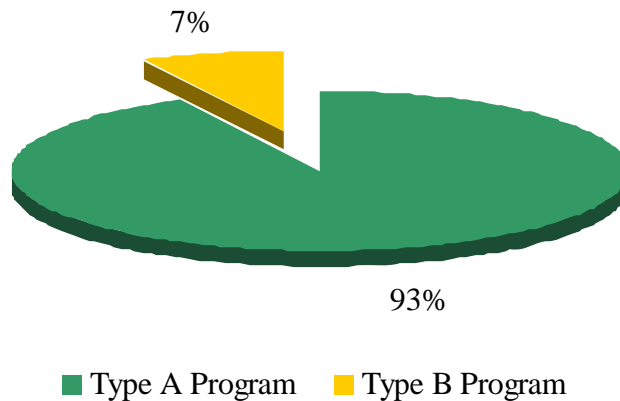
Programs with federal expenditures over \$26,422,002 are Type A programs and the programs under \$26,422,002 are Type B programs. Of the 308 different federal award programs, 30 were Type A programs and 278 were Type B programs.

**Type A and Type B Programs
Number of Programs**



The 30 Type A programs had expenditures of federal awards totaling \$8.2 billion, which was 93 percent of the total expenditures for all programs. The 278 Type B programs had expenditures of federal awards totaling \$648 million, which was only 7 percent of the total expenditures for all programs.

**Type A and Type B Programs
Expenditures of Federal Awards**



OMB Circular A-133 requires the auditor to use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 10 of the 30 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs that are not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended (\$8.81 billion times .0003 = \$2,642,200). We performed risk assessments on the 56 larger Type B programs that were over \$2,642,200 and determined that 10 of them were high risk. In accordance with OMB Circular A-133, we audited 5 (one-half) of these 10 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 20 Type A programs and 5 Type B programs as major.

Audit Coverage by Type of Program	Major and Non-major Programs		Percentage of Expenditures
	Number of Programs	Expenditures	
Type A major programs	20	\$ 5,277,902,892	
Type B major programs	5	81,003,767	
Total major programs	25	\$ 5,358,906,659	61%
Type A non-major programs	10	2,881,217,112	
Type B non-major programs	273	567,210,213	
Total non-major programs	283	3,448,427,325	39%
Total all programs	308	\$ 8,807,333,984	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 751,383,538
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	45,806,064
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	40,687,594
10.555	National School Lunch Program	Agriculture	136,113,514
10.556	Special Milk Program for Children	Agriculture	450,162
10.559	Summer Food Service Program for Children	Agriculture	7,521,983
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	72,209,815
10.558	Child and Adult Care Food Program	Agriculture	39,167,800
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	27,878,779
17.225	Unemployment Insurance	Labor	481,532,724
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	19,278,662
17.259	Workforce Investment Act - Youth Activities	Labor	18,637,948
17.260	Workforce Investment Act - Dislocated Workers	Labor	27,320,208
20.205	Highway Planning and Construction	Transportation	794,175,019
64.015	Veterans State Nursing Home Care	Veterans Affairs	26,992,757
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	43,331,535
84.010	Title I Grants to Local Educational Agencies	Education	187,281,959
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	218,786,281
84.173	Special Education - Preschool Grants	Education	6,013,302
84.032	Federal Family Education Loans - Guaranty Agencies	Education	116,181,041
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	55,223,772
84.367	Improving Teacher Quality State Grants	Education	47,544,189
93.268	Immunization Grants	Health and Human Services	42,312,616
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Health and Human Services	28,579,564
93.558	Temporary Assistance for Needy Families	Health and Human Services	172,670,793
93.563	Child Support Enforcement	Health and Human Services	41,582,032
93.568	Low-Income Home Energy Assistance	Health and Human Services	63,032,278
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	57,114,416
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	62,337,045
93.658	Foster Care - Title IV-E	Health and Human Services	59,516,165
93.659	Adoption Assistance	Health and Human Services	31,637,047
93.667	Social Services Block Grant	Health and Human Services	54,866,052
93.767	State's Children's Insurance Program	Health and Human Services	79,309,704
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,207,043
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	14,315,934
93.778	Medical Assistance Program	Health and Human Services	4,144,623,629
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services	27,543,065

STATE OF MISSOURI

SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
96.001	Social Security - Disability Insurance	Social Security Administration	27,775,814
	Homeland Security Cluster:		
16.007	Homeland Security Grant Program	Department of Justice	2,308,422
97.004	State Domestic Preparedness Equipment Support Program	Department of Homeland Security	6,544,034
97.008	Urban Areas Security Initiative	Department of Homeland Security	1,237,106
97.053	Citizen Corps	Department of Homeland Security	135,148
97.067	Homeland Security Grant Program	Department of Homeland Security	17,668,191
97.071	Metropolitan Medical Response System	Department of Homeland Security	163,511
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	Department of Homeland Security	4,552,613
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Department of Homeland Security	54,569,136
	Total Type A Programs (expenditures greater than \$26,422,002)		8,159,120,004
	Total Type B Programs (expenditures less than \$26,422,002)		648,213,980
	Total Expenditures of Federal Awards		\$ 8,807,333,984

STATE AUDITOR'S REPORTS



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2007, which collectively comprise the state's basic financial statements, and have issued our report thereon dated February 28, 2008. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because the financial statements of the Deferred Compensation 401(a) and 457 Plans have not been audited and because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, with the exception of the financial statements of the Deferred Compensation 401(a) and 457 Plans, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, and the Transportation Self-Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 42 percent and 60 percent of the assets and revenues, respectively, of the business-type activities.
3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 96 percent and 99 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan and the Missouri State Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the state's financial statements that is more than inconsequential will not be prevented or detected by the state's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the state's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated February 28, 2008, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

February 28, 2008



SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Matt Blunt, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that expended federal financial assistance during the year ended June 30, 2007, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the state's compliance with those requirements.

As described in finding numbers 2007-6 through 2007-8 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding subrecipient monitoring that are applicable to the Weatherization Assistance Program for Low-Income Persons, the State Homeland Security Grant Program, the Urban Areas Security Initiative, the State Domestic Preparedness Equipment Support Grant, and the Disaster Grants – Public Assistance (Presidentially Declared Disasters). Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2007-1, 2007-9, 2007-10, and 2007-17.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the state's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the state's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2007-2 and 2007-6 through 2007-8 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the state's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider finding numbers 2007-2 and 2007-6 through 2007-8 to be material weaknesses.

The responses of the state of Missouri to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Susan Montee", is centered above the printed name.

Susan Montee, CPA
State Auditor

February 28, 2008



SUSAN MONTEE, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2007, which collectively comprise the state's basic financial statements, and have issued our report thereon dated February 28, 2008. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because the financial statements of the Deferred Compensation 401(a) and 457 Plans have not been audited and because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, with the exception of the financial statements of the Deferred Compensation 401(a) and 457 Plans, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, and the Transportation Self-Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 42 percent and 60 percent of the assets and revenues, respectively, of the business-type activities.

3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 96 percent and 99 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan and the Missouri State Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities and other component units, its fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Susan Montee, CPA
State Auditor

February 28, 2008

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
07.	Office of National Drug Control Policy HIDTA	2,504,325	1,816,096
	Total Office of National Drug Control Policy	2,504,325	1,816,096
Department of Agriculture			
10.	School Lunch Commodity Refund	6,107	6,107
10.025	Plant and Animal Disease, Pest Control, and Animal Care	1,191,777	0
10.066	Livestock Assistance Program	2,726,909	0
10.069	Conservation Reserve Program	138,251	0
10.072	Wetland Reserve Program	699,000	0
10.153	Market News	15,724	0
10.156	Federal-State Marketing Improvement Program	51,357	0
10.163	Market Protection and Promotion	7,827	0
10.435	State Mediation Grants	27,922	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	585,630	0
10.477	Meat, Poultry, and Egg Products Inspection	32,000	0
10.550	Food Donation	20,147,837	19,969,899
	Food Stamp Cluster:		
10.551	Food Stamps	751,383,538	0
10.561	State Administrative Matching Grants for Food Stamp Program	45,806,064	0
	Total Food Stamp Cluster	797,189,602	0
	Child Nutrition Cluster:		
10.553	School Breakfast Program	40,687,594	40,687,594
10.555	National School Lunch Program	136,113,514	134,610,603
10.556	Special Milk Program for Children	450,162	450,162
10.559	Summer Food Service Program for Children	7,521,983	7,209,769
	Total Child Nutrition Cluster	184,773,253	182,958,128
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	72,209,815	14,045,950
10.558	Child and Adult Care Food Program	39,167,800	38,658,096
10.560	State Administrative Expenses for Child Nutrition	2,535,594	879,935
10.565	Commodity Supplemental Food Program	647,157	554,322
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,045,035	936,318
10.569	Emergency Food Assistance Program (Food Commodities)	4,045,544	4,045,544
	Total Emergency Food Assistance Cluster	5,090,579	4,981,862
10.572	WIC Farmers' Market Nutrition Program (FMNP)	56	0
10.574	Team Nutrition Grants	74,712	43,094
10.600	Foreign Market Development Cooperator Program	12,560	0
10.664	Cooperative Forestry Assistance	1,562,214	281,073
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	5,045,148	5,045,148
	Total Schools and Roads Cluster	5,045,148	5,045,148
10.680	Forest Health Protection	11,880	0
10.769	Rural Business Enterprise Grants	8,006	0
10.902	Soil and Water Conservation	123,841	0
10.912	Environmental Quality Incentives Program	64,058	0
	Total Department of Agriculture	1,134,146,616	267,423,614
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	31,796	31,796
12.	Troops to Teachers	113,249	65,380
12.112	Payments to States in Lieu of Real Estate Taxes	1,153,290	1,153,290
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	978,150	41,785
12.401	National Guard Military Operations and Maintenance Projects	21,656,289	0
	Total Department of Defense	23,932,774	1,292,251
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	27,878,779	26,860,705
14.231	Emergency Shelter Grants Program	1,477,759	1,477,759
14.238	Shelter Plus Care	6,304,293	6,304,293
14.241	Housing Opportunities for Persons with AIDS	352,229	352,229
14.401	Fair Housing Assistance Program - State and Local	623,641	0
14.905	Lead Hazard Reduction Demonstration Grant Program	48,217	0
	Total Department of Housing and Urban Development	36,684,918	34,994,986

Department of the Interior		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	258,371
15.252	Abandoned Mine Land Reclamation Program	1,070,475
	Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration	8,654,697
15.611	Wildlife Restoration	6,255,976
	Total Fish and Wildlife Cluster	14,910,673
15.615	Cooperative Endangered Species Conservation Fund	88,931
15.616	Clean Vessel Act	64,524
15.622	Sportfishing and Boating Safety Act	79,039
15.623	North American Wetlands Conservation Fund	94,000
15.633	Landowner Incentive	283,416
15.634	State Wildlife Grants	1,463,930
15.808	U.S. Geological Survey - Research and Data Collection	93,809
15.810	National Cooperative Geologic Mapping Program	135,727
15.904	Historic Preservation Fund Grants-In-Aid	697,308
15.916	Outdoor Recreation - Acquisition, Development and Planning	1,669,640
15.921	Rivers, Trails and Conservation Assistance	911
15.922	Native American Graves Protection and Repatriation Act	5,836
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	334,507
15.FFB	Webless Migratory Game Bird Research Program	17,387
15.FFC	Fish and Wildlife Coordination Act	31,502
	Total Department of the Interior	21,299,986
Department of Justice		
16.	Domestic Cannabis Eradication	442,568
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	882,785
16.523	Juvenile Accountability Block Grants	1,382,775
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,035,236
16.542	Part D - Research, Evaluation, Technical Assistance and Training	1,406,392
16.548	Title V - Delinquency Prevention Program	224,682
16.549	Part E - State Challenge Activities	75,342
16.550	State Justice Statistics Program for Statistical Analysis Centers	9,553
16.554	National Criminal History Improvement Program (NCHIP)	861,458
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	214,794
16.575	Crime Victim Assistance	7,220,152
16.576	Crime Victim Compensation	1,590,970
16.579	Edward Byrne Memorial Formula Grant Program	3,266,394
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	91,261
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	4,514,904
16.588	Violence Against Women Formula Grants	2,465,826
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	60,534
16.592	Local Law Enforcement Block Grants Program	456
16.593	Residential Substance Abuse Treatment for State Prisoners	347,614
16.601	Corrections Training and Staff Development	500
16.606	State Criminal Alien Assistance Program	95,939
16.610	Regional Information Sharing Systems	4,935,165
16.710	Public Safety Partnership and Community Policing Grants	3,205,363
16.726	Juvenile Mentoring Program	117,454
16.727	Enforcing Underage Drinking Laws Program	371,601
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	1,039,111
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,942,502
16.740	Statewide Automated Victim Information Notification (SAFIN) Program	176,068
16.741	Forensic DNA Capacity Enhancement Program	458,379
16.743	Forensic Casework DNA Backlog Reduction Program	20,398
	Total Department of Justice	41,456,176
Department of Labor		
17.002	Labor Force Statistics	1,620,769
17.005	Compensation and Working Conditions	186,973
	Employment Service Cluster:	
17.207	Employment Service/Wagner - Peyser Funded Activities	13,666,661
17.801	Disabled Veterans' Outreach Program (DVOP)	1,110,760
17.804	Local Veterans' Employment Representative Program	2,357,324
	Total Employment Service Cluster	17,134,745
17.225	Unemployment Insurance	481,532,724
17.235	Senior Community Service Employment Program	1,598,749
17.245	Trade Adjustment Assistance - Workers	12,055,687

Workforce Investment Act Cluster:			
17.258	Workforce Investment Act - Adult Program	19,278,662	17,281,423
17.259	Workforce Investment Act - Youth Activities	18,637,948	16,372,232
17.260	Workforce Investment Act - Dislocated Workers	27,320,208	22,563,317
	Total Workforce Investment Act Cluster	65,236,818	56,216,972
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	170,316	0
17.266	Work Incentive Grants	308,747	293,624
17.267	Incentive Grants - WIA Section 503	414,925	414,925
17.268	H-1B High Growth Job Training Grants	1,394,110	1,342,264
17.271	Work Opportunity Tax Credit Program (WOTC) and Welfare-to-Work Tax Credit (WTWTC)	353,193	0
17.273	Temporary Labor Certification for Foreign Workers	81,781	0
17.504	Consultation Agreements	938,112	0
17.505	OSHA Data Initiative	43,259	0
17.600	Mine Health and Safety Grants	316,948	0
	Total Department of Labor	583,387,856	61,212,106
Department of Transportation			
20.	Federal Highway Administration	16,541	0
20.106	Airport Improvement Program	22,545,111	22,490,306
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	794,175,019	112,597,367
	Total Highway Planning and Construction Cluster	794,175,019	112,597,367
20.217	Motor Carrier Safety	346,377	282,803
20.218	National Motor Carrier Safety	4,422,279	1,271,767
20.219	Recreational Trails Program	643,631	456,941
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	6,722,409	6,705,427
	Total Federal Transit Cluster	6,722,409	6,705,427
20.505	Federal Transit - Metropolitan Planning Grants	5,181,462	4,991,993
20.509	Formula Grants for Other Than Urbanized Areas	10,637,088	10,049,047
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,527,183	1,413,198
20.516	Job Access - Reverse Commute	1,044,899	1,044,899
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	5,423,513	2,987,225
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,326,804	1,135,745
20.602	Occupant Protection	79,258	611
20.604	Safety Incentive Grants for Use of Seatbelts	537,539	503,371
20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	18,173	18,173
20.610	State Traffic Safety Information System Improvement Grants	32,994	20,396
20.611	Incentive Grant Program to Prohibit Racial Profiling	2,809	2,809
20.613	Child Safety and Child Booster Seats Incentive Grants	147,389	0
	Total Highway Safety Cluster	7,568,479	4,668,330
20.607	Alcohol Open Container Requirements	25,450,520	2,627,466
20.700	Pipeline Safety	284,638	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	296,794	296,794
	Total Department of Transportation	880,862,430	168,896,338
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	604,832	0
	Total Equal Employment Opportunity Commission	604,832	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,841,683	2,438,530
39.011	Election Reform Payments	1,634,141	1,512,031
	Total General Services Administration	4,475,824	3,950,561
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	614,825	307,092
45.149	Promotion of the Humanities Division of Preservation and Access	130,223	0
45.310	Grants to States	3,280,421	2,016,833
	Total National Foundation on the Arts and the Humanities	4,025,469	2,323,925
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	2,995,331	0
64.015	Veterans State Nursing Home Care	26,992,757	0
64.123	Vocational Training for Certain Veterans Receiving VA Pension	607,042	0
64.203	State Cemetery Grants	43,772	0
	Total Department of Veterans Affairs	30,638,902	0

Environmental Protection Agency		
66.032	State Indoor Radon Grants	155,532 4,908
66.034	Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	614,984 115,336
66.202	Congressionally Mandated Projects	882,785 486,541
66.419	Water Pollution Control State and Interstate Program Support	113,416 0
66.433	State Underground Water Source Protection	149,430 0
66.454	Water Quality Management Planning	167,417 38,285
66.458	Capitalization Grants for Clean Water State Revolving Funds	43,331,535 43,331,535
66.460	Nonpoint Source Implementation Grants	4,445,912 1,709,067
66.461	Regional Wetland Program Development Grants	110,944 0
66.463	Water Quality Cooperative Agreements	82,145 0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	15,978,507 12,484,048
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	273,295 196,509
66.474	Water Protection Grants to the States	166,927 0
66.500	Environmental Protection - Consolidated Research	4 0
66.605	Performance Partnership Grants	11,654,521 436,446
66.606	Survey, Studies, Investigations and Special Purpose Grants	102,925 0
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	203,006 0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	263,015 189
66.709	Multi-Media Capacity Building Grants for States and Tribes	78,516 77,687
66.714	Pesticide Environmental Stewardship Regional Grants	16,689 0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,703,494 312,340
66.805	Leaking Underground Storage Tank Trust Fund Program	1,216,560 88,161
66.817	State and Tribal Response Program Grants	1,227,540 160,946
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	167,275 158,975
Total Environmental Protection Agency		83,106,374 59,600,973
Department of Energy		
81.039	National Energy Information Center	3,228 0
81.041	State Energy Program	260,045 1,300
81.042	Weatherization Assistance for Low-Income Persons	5,258,125 5,032,429
81.092	Weldon Springs Site Remedial Action Project	405,644 24,110
81.104	Office of Environmental Cleanup and Acceleration	175,735 1,900
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	6 0
81.119	State Energy Program Special Projects	110,161 40,645
81.902	State Environmental Oversight and Monitoring	19,649 0
Total Department of Energy		6,232,593 5,100,384
Department of Education		
84.	Cooperative System Grant	18,423 0
84.002	Adult Education - State Grant Program	9,557,215 8,973,568
84.010	Title I Grants to Local Educational Agencies	187,281,959 185,189,084
84.011	Migrant Education-State Grant Program	1,338,650 1,338,650
84.013	Title I Program for Neglected and Delinquent Children	1,587,805 1,574,491
Special Education Cluster:		
84.027	Special Education - Grants to States	218,786,281 216,128,397
84.173	Special Education - Preschool Grants	6,013,302 6,013,302
Total Special Education Cluster		224,799,583 222,141,699
Student Financial Assistance Cluster:		
84.032	Federal Family Education Loans - Guaranty Agencies	116,181,041 0
Total Student Financial Assistance Cluster		116,181,041 0
84.048	Vocational Education - Basic Grants to States	23,681,855 22,365,591
84.069	Leveraging Educational Assistance Partnership	592,259 592,259
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	55,223,772 90,988
84.169	Independent Living - State Grants	344,528 294,120
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	501,444 0
84.181	Special Education - Grants for Infants and Families with Disabilities	5,770,719 5,770,719
84.185	Byrd Honors Scholarships	804,000 0
84.186	Safe and Drug-Free Schools and Communities - State Grants	6,391,338 6,171,673
84.187	Supported Employment Services for Individuals with Severe Disabilities	443,667 0
84.196	Education for Homeless Children and Youth	896,123 896,123
84.213	Even Start - State Educational Agencies	1,538,301 1,499,715
84.215	Fund for the Improvement of Education	139,150 139,150
84.224	Assistive Technology	816,192 650,374
84.235	Rehabilitation Services Demonstration and Training Programs	276,146 0
84.243	Tech-Prep Education	2,221,674 2,195,479
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	109,736 0

84.282	Charter Schools	6,274	0
84.287	Twenty-First Century Community Learning Centers	13,510,074	13,244,566
84.298	State Grants for Innovative Programs	2,204,942	1,455,696
84.318	Education Technology State Grants	3,830,154	3,716,299
84.323	Special Education - State Personnel Development	1,473,792	1,473,792
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	241,285	0
84.330	Advanced Placement Program	34,899	34,899
84.331	Grants to States for Incarcerated Youth Offenders	525,730	0
84.332	Comprehensive School Reform Demonstration	3,279,544	3,279,544
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	615,474	444,843
84.336	Teacher Quality Enhancement Grants	11	11
84.346	Vocational Education - Occupational and Employment Information State Grants	78,122	0
84.357	Reading First State Grants	18,911,161	18,645,492
84.358	Rural Education	2,320,483	2,209,380
84.365	English Language Acquisition Grants	3,562,622	3,562,622
84.366	Mathematics and Science Partnerships	2,863,612	2,863,069
84.367	Improving Teacher Quality State Grants	47,544,189	47,478,707
84.369	Grants for State Assessments and Related Activities	12,097,163	721,977
84.902	National Assessment of Educational Programs	92,219	0
84.938	Hurricane Education Recovery	1,402,517	1,402,517
Total Department of Education		<u>755,109,847</u>	<u>560,417,097</u>
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	18,854,018	15,834,536
Total Elections Assistance Commission		<u>18,854,018</u>	<u>15,834,536</u>
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	6,235	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	142,236	142,236
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	290,352	64,486
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Aging Cluster:	273,017	273,017
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,082,403	7,039,147
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,408,567	11,406,037
93.053	Nutrition Services Incentive Program	4,135,888	4,135,888
Total Aging Cluster		<u>23,626,858</u>	<u>22,581,072</u>
93.051	Alzheimer's Disease Demonstration Grants to States	211,756	208,448
93.052	National Family Caregiver Support, Title III, Part E	3,210,950	3,210,950
93.103	Food and Drug Administration - Research	252,831	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	4,258,046	4,107,604
93.110	Maternal and Child Health Federal Consolidated Programs	365,181	147,814
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	620,285	221,402
93.127	Emergency Medical Services for Children	33,530	0
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	253,582	67,500
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	70,462	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	841,141	602,281
93.150	Projects for Assistance in Transition from Homelessness (PATH)	761,412	732,625
93.165	Grants to States for Loan Repayment Program	133,000	133,000
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	582,293	295,025
93.204	Surveillance of Hazardous Substance Emergency Events	26,965	0
93.206	Human Health Studies - Applied Research and Development	7,719	0
93.230	Consolidated Knowledge Development and Application (KD&A) Program	444,142	327,263
93.234	Traumatic Brain Injury State Demonstration Grant Program	122,832	17,486
93.235	Abstinence Education Program	857,827	844,755
93.240	State Capacity Building	298,915	125
93.241	State Rural Hospital Flexibility Program	331,878	91,632
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	12,468,913	11,175,518
93.251	Universal Newborn Hearing Screening	149,667	0
93.256	State Planning Grant - Health Care Access for the Uninsured	266,152	63,604
93.259	Rural Access to Emergency Devices Grant	19,176	14,713
93.260	Family Planning - Personnel Training	9,400	0
93.268	Immunization Grants	42,312,616	39,656,339
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	28,579,564	14,115,011

93.283-95-0026	Uniform Alcohol and Drug Abuse Grants	75,668	75,668
93.301	Small Rural Hospital Improvement Grant Program	639,249	618,829
93.556	Promoting Safe and Stable Families	9,772,855	0
93.558	Temporary Assistance for Needy Families	172,670,793	0
93.563	Child Support Enforcement	41,582,032	16,399,487
93.566	Refugee and Entrant Assistance - State Administered Programs	2,124,475	0
93.568	Low-Income Home Energy Assistance	63,032,278	28,875,780
93.569	Community Services Block Grant	17,656,794	17,471,016
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	57,114,416	0
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	62,337,045	0
	Total Child Care and Development Fund Cluster	119,451,461	0
93.576	Refugee and Entrant Assistance - Discretionary Grants	467,275	397,001
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	1,068,128	0
93.586	State Court Improvement Program	235,127	20,475
93.590	Community-based Child Abuse Prevention Grants	495,948	476,743
93.597	Grants to States for Access and Visitation Programs	157,137	0
93.599	Chafee Education and Training Vouchers Program (ETV)	459,900	0
93.600	Head Start	548,698	196,525
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,209,776	536,478
93.643	Children's Justice Grants to States	401,360	0
93.645	Child Welfare Services - State Grants	5,695,497	0
93.658	Foster Care - Title IV-E	59,516,165	0
93.659	Adoption Assistance	31,637,047	0
93.667	Social Services Block Grant	54,866,052	0
93.669	Child Abuse and Neglect State Grants	454,108	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,622,497	0
93.674	Chafee Foster Care Independence Program	1,281,589	0
93.767	State Children's Insurance Program	79,309,704	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,207,043	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	14,315,934	0
93.778	Medical Assistance Program	4,144,623,629	0
	Total Medicaid Cluster	4,160,146,606	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,288,583	349,206
93.786	State Pharmaceutical Assistance Programs	718,373	0
93.865	Child Health and Human Development Extramural Research	123,079	122,300
93.889	National Bioterrorism Hospital Preparedness Program	9,408,966	8,334,618
93.913	Grants to States for Operation of Offices of Rural Health	127,638	0
93.917	HIV Care Formula Grants	11,062,979	10,571,196
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	125,038	35,758
93.940	HIV Prevention Activities - Health Department Based	3,605,825	1,883,718
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	1,071,988	372,903
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,316,680	626,860
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	141,320	0
93.958	Block Grants for Community Mental Health Services	7,316,771	7,079,553
93.959	Block Grants for Prevention and Treatment of Substance Abuse	27,543,065	24,823,647
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	2,140,615	358,817
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	463,436	92,023
93.991	Preventive Health and Health Services Block Grant	2,264,932	586,939
93.994	Maternal and Child Health Services Block Grant to the States	13,244,615	7,111,630
	Total Department of Health and Human Services	5,030,371,055	226,511,076
	Corporation for National and Community Service		
94.002	Retired and Senior Volunteer Program	80	80
94.003	State Commissions	145,124	0
94.004	Learn and Serve America - School and Community Based Programs	443,230	371,622
94.006	AmeriCorps	532,846	708
94.007	Planning and Program Development Grants	43,290	0
94.009	Training and Technical Assistance	88,847	0
	Total Corporation for National and Community Service	1,253,417	372,410

Social Security Administration			
Disability Insurance/Social Security Income Cluster:			
96.001	Social Security - Disability Insurance	27,775,814	0
	Total Disability Insurance/Social Security Income Cluster	27,775,814	0
96.008	Social Security - Work Incentives Planning and Assistance Program	128,556	0
	Total Social Security Administration	27,904,370	0
Department of Homeland Security			
Homeland Security Cluster:			
16.007	Homeland Security Grant Program	2,308,422	2,308,422
97.004	State Domestic Preparedness Equipment Support Program	6,544,034	4,485,497
97.008	Urban Areas Security Initiative	1,237,106	1,236,069
97.053	Citizen Corps	135,148	91,521
97.067	Homeland Security Grant Program	17,668,191	15,860,745
97.071	Metropolitan Medical Response System	163,511	163,511
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	4,552,613	4,064,581
	Total Homeland Security Cluster	32,609,025	28,210,346
16.011	Urban Areas Security Initiative	4,608,806	4,608,806
97.008	Urban Areas Security Initiative	9,559,972	9,559,972
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	7,614,653	7,290,465
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	185,025	0
97.029	Flood Mitigation Assistance	236,852	236,852
97.032	Crisis Counseling	412,193	390,746
97.034	Disaster Unemployment Assistance	24,076	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	54,569,136	54,380,327
97.039	Hazard Mitigation Grant	1,548,531	1,546,724
97.041	National Dam Safety Program	37,270	0
97.042	Emergency Management Performance Grants	5,249,949	5,249,949
97.045	Cooperating Technical Partners	1,234,623	1,234,623
97.047	Pre-Disaster Mitigation	123,402	123,402
97.063	Pre-Disaster Mitigation Disaster Resistant Universities	13,113	13,113
97.070	Map Modernization Management Support	202,622	202,622
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	406,344	0
97.075	Rail and Transit Security Grant Program	209,299	209,299
97.078	Buffer Zone Protection Program (BZPP)	1,240,829	1,206,969
97.091	Homeland Security Biowatch Program	396,482	309,899
	Total Department of Homeland Security	120,482,202	114,774,114
	Total Expenditures of Federal Awards	\$ 8,807,333,984	1,551,855,570

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2007, Type A programs are those which exceed \$26,422,002 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$33,798,887 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures

Expenditures of federal awards for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$439,076,833. Reimbursements to other states from the State Unemployment Fund for benefits paid by those states, totaling \$25,238,115, have been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling \$6,115,063, have been excluded from total expenditures.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$39,056,575.

The State Agency for Surplus Property distributes federal surplus property (CFDA No. 39.003) to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$12,196,063 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost (\$2,841,683), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program (CFDA No. 12.AAG). Property distributions totaled \$136,464 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost (\$31,796), which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major program(s): Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

The following programs were audited as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.550	Food Donation
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.228	Community Development Block Grants/State's Program
20.607	Alcohol Open Container Requirements

64.015	Veterans State Nursing Home Care
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.042	Weatherization Assistance for Low-Income Persons
84.032	Federal Family Education Loans – Guaranty Agencies
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
	Child Care and Development Fund Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State's Children's Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security - Disability Insurance
	Homeland Security Cluster:
16.007	Homeland Security Grant Program
97.004	State Domestic Preparedness Equipment Support Program
97.008	Urban Areas Security Initiative
97.053	Citizen Corps
97.067	Homeland Security Grant Program
97.071	Metropolitan Medical Response System
97.074	Law Enforcement Terrorism Prevention Program
16.011/97.008	Urban Areas Security Initiative
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$26,422,002

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

2007-1.	State Mediation Grant
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Federal Agency:	Department of Agriculture
Federal Program:	10.435 State Mediation Grants 2007 300120753029020
State Agency:	Department of Agriculture
Questioned Costs:	\$14,046

The Missouri Department of Agriculture (MDA) did not have a cost identification and allocation methodology in place to track allowable costs chargeable to the state mediation grant, and we question \$14,046 in costs charged to the grant.

The MDA has operated the mediation program since 2002. Under this program qualified MDA mediators attempt to mediate or resolve complaints between persons participating in federal farm programs and the United States Department of Agriculture agencies. The qualified mediators' primary duties are performing regulatory audits of grain dealers and warehouses. The MDA annual report on the program for fiscal year 2007 indicated there were 18 requests for mediation, of which 13 resulted in mediation cases.

Federal regulation 7 CFR 785.4 requires that costs charged to the grant be reasonable and necessary to carry out the mediation program. The MDA charged \$27,922 to the grant in fiscal year 2007. Those costs included \$20,760 for salaries and benefits equivalent to 792 hours (88 hours for each of the nine grain regulatory auditors who were qualified to perform mediation duties). The salary and benefit costs charged to the grant are based upon an estimate that over the course of a year 1/24th of the nine employees' time is spent working on the grant.

The MDA provided a report based upon timesheets indicating 276 hours for mediation work, training, and related travel time were recorded to the mediation program by MDA field personnel in fiscal year 2007. The MDA had no timesheets to support 516 of the 792 hours (65 percent), therefore, we question \$13,494 of the \$20,760 in salary and benefit costs charged to the grant. We also noted another \$552 incorrectly charged to the grant. The total amount of questioned costs is \$14,046.

The MDA has the ability within the state accounting system to charge actual staff time and related benefits as they are incurred for specific grant programs through the use of labor distribution profile records (LDPR) and does so for many other grant programs. The MDA should implement the use of LDPRs for the state mediation grant and develop

a cost allocation methodology for other allowable costs chargeable to this grant. The MDA should resolve the questioned costs with the grantor agency.

WE RECOMMEND the MDA implement the use of labor distribution profile records for the direct personnel costs of the state mediation grant and develop a cost allocation methodology for other allowable costs of this program. In addition, the MDA should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-2. Procurement and Suspension and Debarment

Federal Agency:	Department of Education
Federal Program:	84.126 Vocational Rehabilitation – Basic Grants to States 2007-H126A070036, 2006-H126A060036, 2005-H126A050036, and 2004-H126A040036
State Agency:	Department of Elementary and Secondary Education (DESE) – Division of Vocational Rehabilitation (DVR)

The DVR does not ensure all entities paid more than \$25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. The DVR has not established procedures to ensure certifications are obtained from the vendor and/or that contracts contain a clause regarding suspension and debarment. Further, the DVR has not established procedures to check vendors and subrecipients on the Excluded Parties List System (EPLS) maintained by the General Services Administration for suspension or debarment before payments are approved. We reviewed five DVR vendors with the Excluded Parties List System (EPLS) maintained by the General Services Administration and found none to be suspended or debarred.

Federal grant guidelines require recipients of federal awards to verify vendors/subrecipients paid more than \$25,000 are not suspended or debarred by adding a clause or condition to the contract with the entity, collecting a certification from the entity, or reviewing the EPLS.

WE RECOMMEND the DVR implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2007-3.	Bioterrorism Program
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.283 Centers for Disease Control and Prevention Investigations and Technical Assistance 2007 - 07PANFLU 2006 - 06PANFLU 2007 - CCU716971-07 2006 - CCU716971-06 93.889 National Bioterrorism Hospital Preparedness Program 2007- 1U3R07584-01 2006 - 3RHS05937-01
State Agency:	Department of Health and Senior Services (DHSS)

In November 2007, the Missouri State Auditor's Office issued audit report No. 2007-73, ***Health and Senior Services - Bioterrorism Program***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.)

The DHSS, Division of Community and Public Health, is the principal unit involved in the surveillance and investigation of the cause, origin, and method of transmission of communicable or infectious disease and environmentally related medical conditions. As such, the division plays a primary role in administering the state's Bioterrorism Program. Within the division is the Center for Emergency Response and Terrorism (CERT), which is responsible for protecting the community's health and the well-being of individuals by assuring the early detection and rapid, coordinated response to all public health emergencies, both natural and deliberate. The report included the following findings that have been summarized:

- A. The department has not established adequate tracking procedures to monitor improvements made by local health entities to address problems/weaknesses identified during bioterrorism exercises. As a result, there is less assurance the benefits of the exercises were fully realized or that improvements were made on a timely basis.
- B. The Strategic National Stockpile (SNS) Program was established by the federal Centers for Disease Control and Prevention (CDC) to aid state and local entities in the development of local distribution and dispensing plans of a massive stockpile of pharmaceuticals, vaccines, medical supplies, equipment, and other items to augment local supplies of critical medical items in case of a terrorist attack. The annual assessments of Missouri's SNS Plan, as conducted by the

CDC, reflect the current status and the identification of additional improvements needed related to its plan to stockpile and distribute this medical material and other supplies. Missouri's latest assessment rating for its SNS Program was a Green minus, indicating the plan is in relatively good shape with some improvements still needed.

- C. The Cities Readiness Initiative (CRI) has been established to increase and enhance readiness over a larger geographic area, instead of just at a state and local level. Various local areas within the state of Missouri are participating in this program. The DHSS has some responsibility for conducting annual assessments of the local CRI programs in Missouri and working with local CRI staff to aid and help direct their efforts. Assessments conducted of the plans of local entities in the state's two largest metropolitan areas reflect some progress, but much improvement is still needed.

WE RECOMMEND the DHSS:

- A. Establish and maintain tracking procedures to actively monitor the status of problems/weaknesses identified during exercises to help ensure corrective action is taken on a timely basis.
- B. Continue to work to ensure the implementation of the various CDC recommendations related to Missouri's SNS Program.
- C. Continue to work with the applicable local entities to improve the CRI plans in those metropolitan areas.

AUDITEE'S RESPONSE

We concur with the auditor's findings. However, all of the recommendations were included in a previous audit to which the Department of Health and Senior Services has responded. While the program addressed by the prior audit was funded in whole or in part by federal funds, none of the findings from that audit questioned the use of any federal funds. Our responses submitted to the auditor at the time of the prior audit included our planned actions to address the findings. Likewise, our Corrective Action Plan in response to the state Single Audit includes our planned actions to address the findings.

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child
Care and Development Fund
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
State Agency: Department of Health and Senior Services (DHSS)

In January 2008, the Missouri State Auditor's Office issued audit report No. 2008-03, ***Health and Senior Services - Protecting Children at Child Care Providers***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.)

The DHSS, Division of Regulation and Licensure, Section of Child Care Regulation (SCCR), licenses certain family day care homes, group day care homes, and child day care centers. The SCCR performs inspections to determine compliance with licensing rules, issues licenses, receives and investigates complaints about facilities, and receives and investigates complaints on persons providing care for more than four children that are not related to the providers without a license. These activities are paid, at least in part, by federal funding received through a memorandum of understanding with the Department of Social Services. The report included the following findings which have been summarized:

- A.1. The SCCR did not count related children in the number of children cared for in family day care or group day care homes because state regulations exempt related children from licensing rules when cared for by licensed providers.
2. Periodic follow-up visits did not occur to ensure illegally operating providers become compliant, or remain compliant with regulations. For the 2 years ended June 30, 2007, the SCCR identified 138 unlicensed providers illegally providing care to more than four unrelated children; however, the SCCR only had assurance that 34 (25 percent) of the illegal providers became complaint or received disciplinary action.
3. The SCCR did not have established criteria or a specific plan or timetable for evaluating the effectiveness of the complaint follow-up procedures modified in May 2007.
4. Penalties imposed on providers have not been adequate to deter providers from operating illegally. A 2002 audit had reported that fines levied against individuals violating child care laws and regulations in other states have been more punitive than in Missouri. However, the General Assembly had not made any changes to

the state law to increase such monetary penalties, as recommended. In addition, the SCCR has no authority to assess administrative penalties.

5. Once a case is referred to a prosecuting attorney, the prosecutor may choose not to prosecute the case. Of the five cases referred to local prosecutors between July 2005 and October 2007, only one case had been prosecuted. In January 2007, SCCR staff initiated enhanced efforts to determine why prosecutors decline to prosecute referred cases.
- B.1. DHSS had not ensured complete and accurate information had been maintained in its complaint tracking system. A review of data obtained from the complaint tracking system for complaints received July 2005 through June 2007, showed some incomplete complaint investigations and complaints with incorrect data entered into certain data fields.
2. Periodic management reports using complaint system data were limited. Such reports are needed to identify trends and address other management issues related to complaint processing.
3. Complaint investigations were not being completed in a timely manner. A review of complaints filed disclosed that staff did not complete 42 percent of complaint investigations within 30 days, as is generally required by department procedures.
4. The department's legal office did not resolve some cases referred to it in a timely manner, in part because goals were not established in the procedures manual for the timeliness of each step of the administrative penalty process.

WE RECOMMEND the DHSS:

- A.1. Change state regulations to include related children when counting the number of children receiving care by a licensed provider, and include related children in all provider licensing rules.
2. Conduct periodic reviews of illegally operating, unlicensed providers who claim to have reduced the number of children in care, or who state they will become licensed, to ensure these providers become complaint, and/or remain compliant with regulations. Noncompliant providers should be referred to the prosecuting attorney.
3. Establish specific procedures, criteria, and timing for evaluating the effectiveness of modified unlicensed caregiver investigation procedures.
4. Work with the General Assembly to develop law that increases penalties for illegally operating day cares and/or provides the department with the authority to assess administrative penalties on illegal providers.

5. Work with prosecutors to determine improved methods to facilitate prosecutors' pursuing legal action against unlicensed providers.
- B.1. Establish procedures to monitor completeness and accuracy of complaint data entered on the department's complaint system.
 2. Monitor complaint investigations and other complaint data by developing and preparing periodic management reports.
 3. Ensure enhanced timeliness of complaint resolutions by ensuring complaint monitoring procedures are followed.
 4. Establish guidance for timeliness of penalty assessment cases and ensure that these cases are completed in a timely manner.

AUDITEE'S RESPONSE

We concur with the auditor's findings. However, all of the recommendations were included in a previous audit to which the Department of Health and Senior Services has responded. While the program addressed by the prior audit was funded in whole or in part by federal funds, none of the findings from that audit questioned the use of any federal funds. Our responses submitted to the auditor at the time of the prior audit included our planned actions to address the findings. Likewise, our Corrective Action Plan in response to the state Single Audit includes our planned actions to address the findings.

2007-5.	Personal Service Costs
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.959 Block Grants for Prevention and Treatment of Substance Abuse (SAPT)
	2006 – 06B1 MO SAPT and
	2007 – 07B1 MO SAPT
State Agency:	Department of Mental Health (DMH) – Division of Alcohol and Drug Abuse (ADA)

The DMH does not maintain adequate documentation to support the employee salary and fringe benefit costs charged to the SAPT Program for administration or program services. Similarly, there is not adequate documentation maintained to support how personal service costs are allocated between the SAPT Program and other categorical grants for those employees whose personal service costs are charged to more than one grant program.

During the year ended June 30, 2007, personal service costs totaling approximately \$2.27 million were charged to the SAPT Program. According to DMH officials, a spend plan (i.e. budget) is prepared annually at which time the ADA Division determines the amount

of employee salary-related costs to be allocated to the SAPT block grant, the state's General Revenue Fund, or other categorical grants of the division. However, no time sheets or other documentation is maintained to support how the allocation of these personal service costs is determined.

It appears that most of the ADA Division's employees work primarily on activities which support or relate to the SAPT Program. In addition, it appears the SAPT Program is exempt from the requirements of Office of Management and Budget (OMB) Circular A-87, as it relates to allowable costs/cost principles. However, adequate documentation should be maintained by the ADA Division to support the personal service charges made to the SAPT Program for administration and program services. State accounting policies indicate that each agency is responsible for ensuring that the accounting distributions used are appropriate. Further, OMB Circular A-87 requires, in instances where employees work on multiple activities or cost objectives, a distribution of the applicable salary costs are to be supported by personnel activity reports or equivalent documentation.

WE RECOMMEND the DMH and ADA Division ensure adequate documentation is maintained to support the allocation of employee personal service costs to the SAPT Program and other funding sources.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-6.

Subrecipient Monitoring

Federal Agency:	Department of Energy
Federal Program:	81.042 Weatherization Assistance Program for Low-Income Persons (WAP) 2006 DE-FG-45-04R530683 2007 DE-FG-26-04R530683
State Agency:	Department of Natural Resources (DNR)
Questioned Costs:	\$ 49,247

In December 2007, the Missouri State Auditor's Office issued audit report No. 2007-82, ***Natural Resources, Weatherization Assistance Program***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.)

The Department of Natural Resources Energy Center is responsible for administering the federal Weatherization Assistance for Low-Income Persons Program in Missouri. The DNR Energy Center subgrants WAP funds to 16 regional Community Action Agencies, 1

city government, and 1 not-for-profit organization. As the grantor agency, DNR is required to monitor the activities of their subrecipients. The audit found DNR has failed to adequately monitor subrecipients to ensure their compliance with grant requirements. DNR subgranted \$5,682,822 in fiscal year 2006 and \$4,909,009 in fiscal year 2007 to these subrecipients. As a result of the limited monitoring, it is unknown how much of this funding was spent correctly. The report included the following findings which have been summarized:

- A. The DNR has not adequately monitored subrecipients' audit reports to ensure compliance with Office of Management and Budget (OMB) Circular A-133 and federal regulations.
 - 1. Energy Center personnel did not have a tracking process to ensure subrecipient audit reports were received timely. A review of audit reports received during fiscal years 2006 and 2007 identified two reports not received until over a year after they were due. The OMB Circular A-133 requires subrecipient to submit audits within 9 months of the end of the subrecipient fiscal year.
 - 2. The DNR does not adequately ensure that subrecipients take corrective action on findings. Energy Center personnel only requested corrective action from the subrecipients for weaknesses identified in three of the six audit reports with findings. Federal regulation, 10 CFR 600.226(b)(3), provides that the state must require the subrecipient to submit corrective action plans within 6 months if an audit report reports non-compliance or weaknesses.
 - 3. Energy Center personnel did not follow-up with subrecipients when audit report WAP financial information differed from DNR records. Audit report financial information for 14 of 34 (41 percent) audits did not match DNR records. Energy Center personnel limited their review to only comparing expenditure amounts reported to DNR expenditure records and did not report differences in revenues shown, or beginning and ending fund balances. In some cases, personnel notified subrecipients that audited amounts matched, and no additional work was required when the records did not match. The WAP manual requires DNR to reject audit reports and send them back to the subrecipient if audit schedules are not in agreement with DNR records.
 - 4. Subrecipient audit reports did not always include the required WAP financial schedule, and Energy Center personnel did not send reports back for correction. Our review of audit reports covering fiscal year 2005 and 2006 found only one subrecipient routinely used the required schedule and no subrecipient provided reconciliation of amounts that did not match DNR records. The WAP manual states subrecipients are considered to be in non-compliance with grant contracts if reconciliations are not

performed. The WAP manual lists sanctions or penalties for agencies considered to be non-compliant, but records show none have been imposed.

B. The DNR has not adequately monitored subrecipient activities to ensure expenditures by subrecipients are allowable.

1. Energy Center personnel limit reviews to 3 client files and 3 or 4 housing inspections during annual on-site monitoring visits. Annual WAP projects for subrecipients range from 13 to 290. The personnel also give subrecipients advance notice of files to be reviewed during on-site monitoring. Audit results determined staff of at least one subrecipient added or completed required documentation missing from the files prior to a visit. In addition, two on-site visits failed to find problems at one subrecipient, including overbillings and missing documentation. After the subrecipient reported billing problems to Energy Center personnel, DNR internal audit staff identified \$49,247 in improper billings.

Department of Energy grant guidance states the results of annual monitoring should be considered during subsequent year planning of subrecipient oversight. The number of files and projects to be reviewed should be based on the risk of non-compliance for each subrecipient. Also, housing inspection procedures have not ensured deficiencies are corrected and on-site monitoring did not include analysis of bidding requirements.

2. Energy Center personnel did not request or receive supporting documentation for expenditures billed to the program or review a sample of the documentation during on-site visits. An Energy Center staff person said she assumed all expenditures submitted are allowable. Energy Center personnel also occasionally changed the monthly billing amounts reported by subrecipients when entering data into the WAP database without documenting the reason. In addition, Energy Center personnel did not use training and technical assistance reports to evaluate claimed expenditures. Federal regulations, 10 CFR 600.121(b), require WAP financial management systems exercise effective control and accountability and accounting records be supported by source documentation.

C. The DNR had not adequately monitored subrecipients to ensure compliance with cash management requirements. Energy Center personnel have not monitored whether subrecipients complied with federal cash management requirements for interest earned on advanced funding. In addition, the Energy Center personnel advanced WAP funding to some subrecipients without considering funding needs or whether they met requirements for advances, and have not determined whether subrecipients have policies and procedures in place to properly manage advance

payments and ensure they minimize time elapsing between receipt and disbursement.

Federal regulation, 10 CFR 600.122, requires recipients of advanced federal grant funding to (1) place those funds in interest bearing accounts, (2) annually remit interest earned on advances in excess of \$250 to the federal government, (3) limit cash advances to the minimum amounts, and (4) advance payments only to recipients if they maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement.

WE RECOMMEND the DNR resolve the question costs with the grantor agency and:

- A.1. Establish procedures to ensure audit reports are received within federal compliance requirements.
2. Request and obtain timely corrective action for audit findings related to the WAP and overall subrecipient internal control and billing weaknesses.
3. Improve analysis of the audit reports by:
 - Ensuring differences between audited WAP financial information and DNR records are reconciled by the auditor or subrecipient staff, and those reconciliations are reviewed by Energy Center personnel.
 - Evaluating other financial information besides expenditures, such as revenues, and beginning and ending fund balances.
4. Improve subrecipient compliance by:
 - Ensuring financial information is submitted on the required schedule and sending audits back that do not meet reporting requirements.
 - Enforcing penalties for subrecipients that are non-compliant with grant reporting requirements.
- B.1. Establish on-site monitoring procedures that include:
 - Reviewing a sample of weatherization client files and homes to inspect annually based on a risk assessment of each subrecipient.
 - Selecting at least some client files for review while on-site.
 - Performing follow-up procedures on projects requiring repairs or corrections, including requesting additional information or performing additional inspection work on a sample of projects.

- Evaluating bidding compliance.
2. Improve the review of expenditure documentation by:
- Developing procedures to review on a sample basis supporting documentation for subrecipient expenditures. This review can be done as part of on-site monitoring visits.
 - Obtaining documentation from subrecipients supporting changes made to submitted financial data.
 - Requiring agencies to include dates of and dollar amounts charged for training, meetings, and conferences on training and technical assistance quarterly reports. This information should be used to verify training and technical assistance expenditures claimed by the subrecipient.
- C. Develop procedures to ensure compliance with federal cash management rules that include:
- Ensuring the subrecipients have established policies and procedures to manage advanced funding in compliance with federal regulations, including distribution of interest earned.
 - Limiting advance funding to subgrantees.

AUDITEE'S RESPONSE

- A.1. *We agree with the auditor's finding. In calendar year 2007, the Department of Natural Resources performed an internal review of the Weatherization Assistance Program. As a result of this internal review, we implemented a procedural change that addressed this item before the State Auditor's office identified this as a recommendation. Our Corrective Action Plan includes the actions we have taken.*
2. *We agree with the auditor's finding. As a result of the internal DNR review, we implemented a procedural change that addressed this item before the State Auditor's office identified this as a recommendation. Our Corrective Action Plan includes the actions we have taken.*
3. *We agree with the auditor's finding. As a result of the internal DNR review, we implemented a procedural change that addressed this item before the State Auditor's office identified this as a recommendation. Our Corrective Action Plan includes the actions we have taken.*
4. *We agree with the auditor's finding. As a result of the internal DNR review, we implemented a procedural change that ensured financial information was submitted on*

the required schedule and audits were turned back when they failed to meet reporting requirements. Our Corrective Action Plan includes the actions we have taken to address subrecipient audit reporting requirements and includes planned actions to address penalties for subrecipient non-compliance with grant reporting requirements.

- B.1. We agree with the auditor's finding. We have implemented procedural changes that addressed this recommendation. Our Corrective Action Plan includes the actions we've taken.*
- 2. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- C. We agree with the auditor's finding. As a result of the internal DNR review, we implemented a policy change to limit advance funding to subgrantees before the state auditor's office identified this as a recommendation. Our Corrective Action Plan includes the actions we have taken regarding advance funding and includes our planned actions to address distribution of interest earned.*

2007-7.

Subrecipient Monitoring

Federal Agency:	Department of Homeland Security
Federal Program:	16.007 State Homeland Security Grant Program – 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003 16.011 Urban Areas Security Initiative – 2003-EU-T3-0030 97.004 State Domestic Preparedness Equipment Support Grant Program – 2004-GE-T4-0049 97.008 Urban Areas Security Initiative – 2004-TU-T4-0007 97.067 State Homeland Security Grant Programs – 2006-GE-T6-0067 and 2005-GE-T5-0022
State Agency:	Department of Public Safety (DPS) – State Emergency Management Agency (SEMA)

The SEMA has not adequately monitored all subrecipients related to the above referenced programs to ensure an audit in accordance with OMB Circular A-133 has been performed and submitted to the SEMA on a timely basis, as required, or that problems reported in previous audits have been addressed.

- 1. We noted ten SEMA subrecipients with grant expenditures exceeding \$500,000 that had not submitted an A-133 audit during the fiscal year ended June 30, 2007. No additional follow up was conducted with the subrecipients because staff were not informed it was their duty to conduct such follow up.

2. SEMA is not following up with subrecipients to determine if problems reported in the A-133 audits are being corrected. This has occurred because SEMA staff in charge of tracking the receipt of subrecipient A-133 audits were not informed it was also their duty to track and follow up on the status of any findings.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within nine months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to make a management decision on audit findings within six months after receipt of a subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the SEMA ensures it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring that all subrecipients submit an OMB Circular A-133 audit on a timely basis, as required, issuing a management decision on audit findings within six months after receipt of a subrecipient audit report, and ensuring subrecipients take appropriate and timely corrective action related to any problems reported.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2007-8.

Procurement and Suspension and Debarment

Federal Agency:	Department of Homeland Security
Federal Program:	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) –
	2007-FEMA-DR-1673-MO
	FEMA-DR-1676-MO
	2006-DR-MO-1631-60
	FEMA-EM-3267-MO
	DR-MO-1635
	FEMA-DR-1667-MO
	2005-FEMA-3232-EM-MO
	2003-DR-MO-1463-60
	2002-DR-MO-1412-60
	DR-MO-1403-60
State Agency:	Department of Public Safety (DPS) –
	State Emergency Management Agency (SEMA)

The SEMA has not adequately monitored all subrecipients related to the above referenced program to ensure compliance with federal procurement and suspension and debarment requirements.

The SEMA does not adequately ensure subrecipients are performing and documenting proper procurement procedures or verifying that vendors paid more than \$25,000 are not suspended or debarred. Procurement documentation, such as evidence of bids, for 37 of 47 (79 percent) expenditures reviewed was not obtained by the SEMA or present in their disaster files. Suspension and debarment documentation, such as an acknowledgment by subrecipients that vendors selected were confirmed as not being suspended or debarred, for all 47 (100 percent) expenditures reviewed was also not obtained by the SEMA or present in their disaster files.

Federal grant guidelines require the purchase of goods and services to be properly bid and the vendor should be neither suspended nor debarred.

WE RECOMMEND the SEMA ensure prior to authorizing payments to subrecipients that adequate documentation exists to support compliance with procurement and suspension and debarment requirements.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2007-9.	Adoption Assistance Compliance
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance 2006 - G0601MO1407 and 2007 - G0701MO1407
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	\$10,267

Adoption decrees and eligibility and payment documentation could not be located and/or were not adequate for some cases reviewed, and payments were made on behalf of ineligible children in one case. During the year ended June 30, 2007, the DSS provided Adoption Assistance benefits totaling over \$45 million for 10,286 children.

The Adoption Assistance Program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 USC 673 must be met, including the requirement that the state has made reasonable efforts to place the child for adoption without a subsidy. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR 1356.40 and 45 CFR 1356.41, respectively. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. Subsidized costs may include maintenance, clothing, day care, respite care, and nonrecurring adoption expenses.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation and subsidy agreements for 60 children receiving Adoption Assistance. The Adoption Assistance for these children totaled \$287,438 during the year ended June 30, 2007. For seven cases (12 percent), the CD could not provide the necessary documentation to support the Adoption Assistance payments. For two of these cases, the CD could not locate the final decree of adoption and for another case, the subsidy agreement was signed approximately three years after the decree of adoption. Also, for three other cases, child care attendance records were not signed by the parent/caregiver in accordance with the provider agreement, and/or did not agree to provider invoices. For the final case, a nonrecurring legal expense was not supported by adequate documentation and clothing expense was paid, although this type of expense was not included in the subsidy agreement.

In these 7 cases, payments totaling \$16,646 were unallowable and/or unsupported. We question the federal share of \$10,267 (61.68 percent).

Also, it appears the CD overpaid Adoption Assistance for the one case noted above where the subsidy agreement was signed after the decree of adoption. Payments, totaling \$36,856, were charged to the assistance program from May 2003 to December 2007. Payments, totaling \$48,879 and \$43,149, for the two cases in which the final decree of adoption could not be located were charged to the assistance program from September 1994 to December 2007 and June 1994 to December 2007, respectively. For these two cases, DSS entered into subsidy agreements and began making assistance payments four and two years after the adoption dates shown on the DSS computer system. The payments for these three cases during the year ended June 30, 2007, were included in the questioned costs above.

The CD should ensure adoption decrees are retained, adoption subsidy agreements are signed prior to the adoption, and all payments are supported by adequate documentation.

Without complete and accurate case records, adequate documentation is not available to verify the eligibility of the clients, support the appropriateness of subsidy payments, and provide an adequate audit trail. The DSS needs to review and strengthen its policies and procedures regarding case record documentation and retention of records. This is particularly important because the subsidy payments could span up to a 21-year period.

WE RECOMMEND the DSS through the CD resolve the questioned costs with the grantor agency. Also, the CD should ensure all adoption decrees are retained, subsidy agreements are signed prior to the adoption, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement for the overpayment.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-10.

Child Care Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2006 - G0601MOCCDF and 2007 - G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 - G0601MOCCDF and 2007 - G0701MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$25,621

Eligibility and payment documentation could not be located for some child care cases reviewed, and some payments to providers were not in accordance with authorizations and/or DSS policy. In addition, management of the case records is poor. During the year ended June 30, 2007, the DSS paid over 11,000 child care providers approximately \$139.3 million for approximately 77,000 children.

The DSS provides monies to child care providers who serve eligible clients. Federal regulation 45 CFR 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. Also, 45 CFR 98.54 provides that, with regard to services to students enrolled in grades 1 through 12, no funds may be used for services provided during the regular school day, services for which the students receive academic credit toward graduation, or instructional services that supplant or duplicate the academic program of any public or private school. In addition, 42 USC 105.985c requires states to establish provider licensing requirements to protect the health and safety of children provided assistance, and state law, Sections 210.025, 210.027, and 210.211, RSMo, require that providers be either licensed or registered based on the number of children cared for.

Parents/caregivers apply to the FSD or CD case workers to participate in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider to provide child care services. To comply with federal requirements, the DSS's Income Maintenance manual requires that case workers set maximum authorized service units for the amount of care that best meets the family's need, and maintain case file documentation including the child care application or a signed system-generated interview summary and copies of income verifications to support eligibility determinations. In addition, the manual and provider agreements require that providers submit a monthly invoice either by the DSS's on-line invoicing system or by a manual invoice, and maintain attendance records signed by the parent/caregiver to verify the child received the services. The DSS furnishes providers with standard attendance record forms which require parents to record and initial the time

care begins and ends each day for each child, and to certify at month end the accuracy of the record. Although DSS does not require that the standard form be used, provider generated records must include the same information required by the standard forms. Unlicensed providers are required to submit an attendance sheet that is signed by the parent/caregiver to verify the child received the services. Although all providers are required to keep attendance records for five years, the DSS does not require the licensed providers to submit these records.

To test compliance with these requirements, we reviewed eligibility documentation, provider agreements, and expenditure documentation for 63 children on whose behalf child care payments were made to child care providers. Eligibility documentation such as a signed child care application or system-generated interview summary for 6 of 63 (9.5 percent) cases reviewed could not be located by the DSS. The total child care payments made on behalf of these children and applicable siblings during the year ended June 30, 2007, totaled \$26,760. We question the federal share of \$20,536 (76.74 percent).

In addition, 29 of 63 (46 percent) child care payments were not supported by adequate documentation and/or were not in compliance with DSS policies. Some attendance records could not be located, attendance records were not always signed by the parent/caregiver and/or did not include sign in/out times, some provider invoices did not agree to the corresponding attendance records, some payments were not in compliance with DSS authorizations or policies for absences and holidays, and one provider was not licensed or registered. Many of these errors resulted from providers not using DSS's standard attendance forms and the provider forms did not contain all the information required by DSS. It should be noted that DSS's provider contract compliance reviews often identify similar problems with invoices and attendance sheets. Finally, the DSS was inconsistent in authorizing the maximum number of days of child care per month for a child. We noted maximum authorizations ranging from 21 to 23 days per month. The payments related to the inadequate documentation and noncompliance with DSS policies total \$6,626. We question the federal share of \$5,085 (76.74 percent).

Overall for the cases reviewed, case records supporting eligibility, provider invoices, attendance sheets, and other records appeared disorganized and incomplete. Without complete and accurate case records, adequate documentation is not available to verify the eligibility of the clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen its policies and procedures regarding case record documentation and retention of records. In addition, the DSS needs to ensure that child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, attendance sheets are complete and signed by the parent/caregiver, payments are in accordance with authorizations and department policy, appropriate child care services are authorized, and that payments are only made to licensed or registered providers. Finally, the DSS should consider requiring providers use the standard attendance forms or ensure all required information is documented on the provider generated forms.

A similar condition regarding eligibility and payment documentation was also noted in our prior report, and there has been no resolution of the questioned costs provided by the applicable federal agency.

WE RECOMMEND the DSS, through the CD and FSD, resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, attendance sheets are complete and signed by the parent/caregiver, payments are in accordance with authorizations and department policy, appropriate child care services are authorized, and that payments are only made to licensed or registered providers. Finally, the DSS should require providers use the standard attendance forms or ensure all required information is documented on the provider generated forms.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-11.	Earmarking – Child Care Development Fund
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Federal Agency:	Department of Health and Human Services (HHS)
Federal Program:	93.575 Child Care and Development Block Grant 2006 - G0601MOCCDF and 2007 - G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 - G0601MOCCDF and 2007 - G0701MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Budget and Finance (DBF)

The DSS has not established procedures to ensure the Child Care Development Fund (CCDF) federal earmarking requirements are met. In addition to the requirement that the department must spend not less than four percent of CCDF funds on quality and availability activities, federal earmarks fund (targeted funds) three specific activities. The federal fiscal year 2007 earmarks applicable to Missouri for the year ended June 30, 2007, were \$336,116, \$3,273,300, and \$1,895,675 for resource and referral and school-aged activities, quality improvement activities, and activities to increase the supply of quality child care for infants and toddlers, respectively.

The department does not formally track or account for expenditures applicable to each of the specific earmarks. Based upon their knowledge of the program, the department informally tracks and ensures the earmarks are met. Expenditures applicable to the resource and referral and school-aged activities, and the quality improvement activities

are combined with the department's expenditures for the four percent quality earmark requirement. Expenditures applicable to the infant and toddler earmark are not tracked in any manner. On the federal ACF-696 reports, the department records the required earmark amounts, and as a result, the department does not maintain adequate documentation to support its compliance with federal earmarking regulations.

Although the DSS has not developed a suitable internal control system to properly track and account for expenditures applicable to each of the specific earmarks, our review and analysis of various information and documentation provided by the department found that the department spent at least the minimum requirement for each earmark during federal fiscal year 2007. The department needs to implement procedures to adequately track and document actual expenditures to ensure compliance with applicable federal earmark requirements.

WE RECOMMEND the DSS, through the CD and DBF, implement procedures to adequately track and document actual expenditures for applicable federal earmark requirements.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-12.

Subrecipients

Federal Agency:	Department of Agriculture Department of Health and Human Services
Federal Program:	10.561 State Administrative Matching Grants for Food Stamp Program 2005, 2006, and 2007 - IS251443 2006 and 2007 - IE251843 and IS252043 93.556 Promoting Safe and Stable Families 2006 - G0601MO00FP and 2007 - G0701MO00FP 93.558 Temporary Assistance for Needy Families 2006 - G0601MOTANF and 2007 - G0701MOTANF 93.566 Refugee and Entrant Assistance - State Administered Programs 2006 - G06AAMO7100, 2007 - G07AAMO7100, 2006 - G06AAMO7110, and 2007 - G07AAMO7110 93.568 Low-Income Energy Assistance 2006 - G06B1MOLIEA and 2007 - G07B1MOLIEA 93.575 Child Care and Development Block Grant 2006 - G0601MOCCDF and 2007 - G0701MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2006 - G0601MOCCDF and 2007 - G0701MOCCDF

93.658 Foster Care - Title IV-E

2006 - G0601MO1401 and 2007 - G0701MO1401

93.659 Adoption Assistance

2006 - G0601MO1407 and 2007 - G0701MO1407

93.667 Social Services Block Grant

2006 - G0601MOSOSR and 2007 - G0701MOSOSR

93.674 Chafee Foster Care Independent Living

2006 - G0601MO1420 and 2007 - G0701MO1420

93.778 Medical Assistance Program

2006 - 06-05MO5028 and 2007 -

07-05MO5028

2006 - 06-05MO5048 and 2007 -

07-05MO5048

State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF)

The DSS does not consider certain entities to be subrecipients. Our review of expenditures from the SSBG, CCDF, Child Care Mandatory and Matching Funds of the CCDF and Low-Income Energy Assistance programs noted payments to several entities which appear to be subrecipients. However, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs and these entities are not furnished applicable federal regulations and are not required to obtain an audit in accordance with OMB Circular A-133, when needed.

For example, the DSS does not identify local community partnerships receiving funding from various federal programs (listed in the federal programs above) as subrecipients. The DSS provides funding to local community partnerships, for the state's Caring Communities Program, through various federal grants in coordination with other state agencies. The DSS paid these partnerships approximately \$21.4 million during the year ended June 30, 2007. The partnership contracts explicitly state the partnerships are not considered subrecipients within the meaning of OMB Circular A-133. The DSS believes the partnerships do not meet the definition of a subrecipient under OMB Circular A-133.

However, we believe, based upon the substance of the arrangements, the arrangements with the partnerships represent a subrecipient relationship. OMB Circular A-133, section .210, indicates the partnerships should be considered subrecipients because: 1) the partnerships have their performance (core results) measured against contract objectives, and some of these objectives directly relate to the federal program objectives, 2) the partnerships make programmatic decisions related to their core results, 3) the allowable costs under the contracts are evaluated by the DSS based upon allowable costs under the federal grants, 4) the partnerships administer a large portion of some of the state's various federal grants, and 5) the DSS establishes the expectations, terms, and conditions of the arrangement with the partnerships.

In addition, it appears the DSS monitors these partnerships as if they were subrecipients. The DSS has developed a written monitoring program to evaluate the partnerships' activities and requires financial statement audits of the partnerships be submitted to the DSS, for their review. However, the DSS does not require audits of federal funds under OMB Circular A-133. Section .210 also states that when evaluating whether a subrecipient relationship exists, the "substance of the relationship is more important than the form of the agreement."

To meet the DSS's responsibilities under OMB Circular A-133, section .400, the DSS should identify and classify appropriate entities as subrecipients and provide all required information to the entities including the requirement that subrecipients obtain A-133 audits, when applicable.

A similar condition was also noted in prior reports, and there has been no resolution of this issue provided by the applicable federal agencies.

WE RECOMMEND the DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2007-13.	Procurement and Suspension and Debarment
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2006 - G0604MO4004 and 2007 - G0704MO4004 93.575 Child Care and Development Block Grant 2006 - G0601MOCCDF and 2007 - G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 - G0601MOCCDF and 2007 - G0701MOCCDF 93.667 Social Services Block Grant 2006 - G0601MOSOSR and 2007 - G0701MOSOSR
State Agency:	Department of Social Services (DSS) – Division of Budget and Finance (DBF)

The DBF does not ensure all entities paid more than \$25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. For contracts the Office of Administration (OA) negotiates on behalf of the DSS, the DBF does not always notify the OA when contracts are funded with federal funds and of the need to ensure that the

vendor/subrecipient is not suspended or debarred. The DBF procedures only provide for OA notification for contracts funded through state Fund 610 (DSS - Federal and Other Fund). However, some federally funded DSS contracts are paid from other state funds.

Our review of 26 contracts exceeding \$25,000 and procured through the OA, found 2 contracts (8 percent) which 1) did not have the required suspension and debarment provision in the contracts, or 2) the vendor had not certified that they were not suspended or disbarred, or 3) neither the DBF or OA reviewed the Excluded Parties List System (EPLS) maintained by the General Services Administration. The DBF did not inform OA that these contracts were funded with federal funds. On the date of our review of the EPLS, none of the entities were found to be suspended or debarred

Federal Regulation 45 CFR 76.300, requires recipients of federal awards to verify vendors/subrecipients paid more than \$25,000 are not suspended or debarred by adding a clause or condition to the contract with the entity, collecting a certification from the entity, or reviewing the EPLS maintained by the General Services Administration.

The DBF should implement procedures to notify the OA when contracts exceeding \$25,000 are funded with federal funds and of the need to include the suspension and debarment certification and/or clause, or to review the EPLS in the procurement process.

WE RECOMMEND the DBF implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-14. Early Childhood Development, Education, and Care Fund

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2006 - G0601MOCCDF and 2007 - G0701MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2006 - G0601MOCCDF and 2007 - G0701MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD)

In December 2007, the Missouri State Auditor's Office issued audit report 2007-87, ***Early Childhood Development, Education, and Care Fund***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.)

The state Early Childhood Development, Education, and Care Fund (ECDEC) was established to improve the quality and quantity of early childhood programs available to children ages birth to 5. The CD, as well as the Department of Elementary and Secondary Education (DESE) and Department of Health and Senior Services, receive appropriations from the ECDEC. The CD utilizes almost all of its appropriations to satisfy federal matching, maintenance of effort, and earmarking requirements for the Child Care and Development Block Grant/Child Care Mandatory and Matching Funds of the Child Care and Development Fund. The CD's expenditures from the ECDEC fund totaled approximately \$13.6 million during fiscal year 2007. The report included the following findings related to the CD which have been summarized:

- A. DSS's failure to adhere to established controls, poorly written contracts with child care facilities, and a lack of adequate communication between DESE and DSS resulted in overpayments to child care facilities totaling at least \$969,305.
- B. DSS did not communicate with DESE regarding contractual requirements with child care facilities. In addition, the two agencies did not develop a method to share information regarding noncompliant contractors.
- C. DSS did not adequately monitor ECDEC contractors to ensure monies were spent in accordance with contractual requirements. In addition, DSS on-site monitoring visits did not include adequate procedures to determine whether child care facilities were complying with contractual requirements regarding increased capacity.
- D. DSS's contracts with some facilities contained conflicting and inconsistent information regarding the additional licensed slots to be created.
- E. DSS did not ensure the child care facilities created or expanded early childhood programs by the contractually required slots by comparing licensed capacity prior and subsequent to receiving grant monies.
- F. DSS did not have an adequate system in place to ensure the information submitted on the grant applications was accurate and complete.
- G. DSS did not adequately document contract extensions.
- H. DSS did not have an adequate system in place to track program data and produce management reports that would allow DSS to assess the effectiveness of ECDEC programs and ensure program goals are met.
- I. DSS did not maintain a listing of and were unable to readily provide data for contractors that did not fulfill contractual requirements, or track money refunded from noncompliant contractors.

WE RECOMMEND the DSS:

- A. Determine the extent and seek reimbursement of overpayments made to noncompliant early childhood contractors.
- B. Increase awareness of DESE's contractual requirements with child care facilities when determining contractor compliance regarding increased capacity. In addition, we recommend these agencies share information regarding noncompliant facilities.
- C. Determine the optimal frequency to perform and develop a written policy for on-site monitoring. This policy should specify how often visits are to occur, procedures to be performed including specific procedures to verify increased capacity, and require written documentation of monitoring visits to be maintained.
- D. Amend future contract language to include specific language requiring increased capacity to be maintained during contract renewal periods and new contracts.
- E. Ensure licensure information is properly verified when determining contractor compliance with increased child care capacity.
- F. Ensure grant applications contain accurate information and contracts do not include conflicting information.
- G. Ensure adequate documentation of contract extensions and amendments is maintained.
- H. Develop a system to track program data and produce management reports to allow DSS to assess the effectiveness of ECDEC programs. The system should contain accurate, up-to-date, and complete statistical data for each of the early childhood programs administered by DSS with the option to conduct analyses.
- I. Maintain a listing of noncompliant contractors that includes the reason for noncompliance and any amounts owed to DSS.

AUDITEE'S RESPONSE

- A. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- B-I. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2006 - G0604MO4004 and 2007 - G0704MO4004
State Agency: Department of Social Services – Family Support Division
(FSD)

In October 2007, the Missouri State Auditor's Office issued audit report No. 2007-59, *Social Services, Child Support Delinquencies*. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.)

The Department of Social Services, through its Family Support Division (the division), oversees the collection of child support owed to custodial parents, and tracks the amount of unpaid child support (arrearages). As of June 30, 2006, the division's computerized system showed approximately 240,000 IV-D cases (cases where the custodial parent is receiving public assistance or has applied for child support enforcement services pursuant to Title IV-D of the federal Social Security Act) with IV-D arrearages totaling approximately \$2.2 billion. The report included the following findings which have been summarized:

- A. Our review of 209 IV-D child support cases, with arrearages greater than \$1,000 on June 30, 2006, disclosed the unpaid balance on 57 sampled cases (27 percent) had been misstated, with overstatements totaling approximately \$132,000, and understatements totaling approximately \$39,000. We also reviewed 35 judgmentally selected cases with arrearages greater than \$100,000 on June 30, 2006, and found 22 cases (63 percent) had incorrect arrearages balances, with overstatements totaling approximately \$1.5 million, and understatements totaling approximately \$142,000.

Although division policy stresses the importance of accurate arrearages balances, and federal regulations require IV-D agencies to develop procedures to ensure the accuracy before starting certain enforcement actions, the division has not established adequate procedures to verify and ensure the accuracy of unpaid child support balances.

- B. Not terminating judicial orders and removing the obligation amount from the Missouri Automated Child Support System (MACSS) when support is no longer due causes arrearages to continue accruing. IV-D arrearages or non IV-D arrearages could be misstated if dependents are not emancipated, or judicial orders of support are not terminated in a timely manner.

In discussing termination of judicial orders with officials, and reviewing policy guidance and statutes, we found opinions differed on whether judicial orders could be terminated by the division or required circuit court action. Also, it was

determined the division has chosen to disregard a portion of state law which says that in all cases where the child is 22 years old, unless a court orders support to continue, a current obligation shall not be maintained on the division's automated system.

WE RECOMMEND the DSS:

- A. Establish procedures to ensure the accuracy of arrears balances and compliance with federal regulations and the spirit of division policy.
- B.1. Amend policy to require division personnel to terminate judicial orders of support when dependents reach age 22, or the statutory age of emancipation, unless the court orders support beyond age 22.
- 2. Identify courts where judges require court action to end a support obligation. Terminate judicial orders of support originating in all other Missouri courts once dependents have reached age 22, or the statutory age of emancipation, and end further accruals of unpaid support.

AUDITEE'S RESPONSE

- A. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- B. *We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

2007-16. Temporary Assistance for Needy Families Compliance
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2006 - G0601MOTANF and 2007 - G0701MOTANF
State Agency:	Department of Social Services – Family Support Division (FSD)
Questioned Costs:	\$2,834

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. In addition, portions of the TANF procedures manual are outdated and current procedures are not consistent with manual guidelines. During the year ended June 30, 2007, TANF assistance payments totaled approximately \$116.6 million, of which approximately \$56.8 million was claimed as federal expenditures.

Our audit noted that the FSD did not maintain documentation of the recipients' need and eligibility for the TANF program for 5 of 59 (8 percent) cases tested. We randomly sampled 59 TANF payments totaling \$14,143 made to TANF recipients. The purpose of

this test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation. Our test of TANF payments disclosed the following:

- For four cases reviewed, the FSD did not maintain documentation of the recipient's signed assistance application/eligibility statement or system-generated interview summary. The application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided.
- For one case included in our sample, the FSD did not adequately maintain the case file and records could not be located. As a result, many eligibility requirements could not be tested for this case.

In addition, the FSD has not updated their policies and procedures manual for the TANF program in several years, even after the FSD changed computer systems in 2005. While there have been some updates made through internal memorandums, portions of the manual are outdated and include procedures that do not reflect current practices. Without an updated policy manual, the FSD cannot ensure employees are following the most current procedures relating to eligibility and other areas of the TANF program.

45 CFR 206.10(a)(ii) requires that applications for program participation be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. In addition, 45 CFR 205.60(a) requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. The payments related to the above mentioned errors totaled \$946, and the payments to these clients during the year ended June 30, 2007, totaled \$5,820. We question the federal share of the total payments or \$2,834 (48.7 percent).

WE RECOMMEND the FSD improve internal controls to ensure complete case files are maintained to adequately support applications, eligibility determinations, case decisions, and expenditures, and ensure the program procedures manual is updated. In addition, the FSD should resolve questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services – Vocation Rehabilitation Grants to States
2006 - H126A060037c and 2007 - H126A0700372
State Agency: Department of Social Services – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The FSD did not adequately document annual reviews of Individualized Plans for Employment (IPE). Without adequate documentation, it is unclear whether the reviews were performed as required. During the year ended June 30, 2007, assistance payments for RSB services totaled approximately \$5.3 million.

An IPE is developed for each individual determined to be eligible for vocational rehabilitation services. The IPE is designed to achieve a specific employment outcome for each individual based on their strengths, resources, priorities, and capabilities. The IPE generally outlines the services authorized to achieve the set goals and employment outcome. An annual review is required by federal regulation to assess the progress of each individual and to determine the continued need for services outlined in the IPE.

Our audit noted that the FSD did not clearly document the annual reviews for 18 of 40 (45 percent) cases tested. According to FSD personnel, the annual reviews are to be documented on the IPE forms. Additionally, when performing periodic case reviews and in the absence of such documentation, communications between the counselors and recipients documented in the case narratives were considered acceptable evidence by the FSD that the annual reviews took place. However, when the reviews were not documented on the IPE for the above mentioned cases, we found that the case narratives were not clear about whether the annual reviews were completed or whether any modifications were needed based on the recipients' current status in meeting their program goals.

34 CFR 361.45(d)(5) requires the IPE to be reviewed at least annually by a qualified vocational rehabilitation counselor to assess the eligible individual's progress in achieving the identified employment outcome. Additionally, Chapter 12, Section A.9 of the RSB manual requires the use of the pre-printed IPE forms for all annual reviews.

Without adequate documentation of the annual reviews, the FSD cannot ensure the reviews took place as required by federal regulation and cannot ensure that the most appropriate services are being provided to achieve stated goals and employment outcome.

WE RECOMMEND the FSD improve procedures for documenting annual reviews of IPE forms for RSB recipients.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2007-18.	Subrecipient Monitoring
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Federal Agency: Department of Transportation
Federal Program: 20.607 Alcohol Open Container Requirements
2007 and 2006 – No contract numbers
State Agency: Department of Transportation, Highway Safety Division (HSD)

The HSD needs to improve its subrecipient monitoring procedures and ensure all necessary information is provided to its subrecipients.

- A. The HSD does not always adequately document subrecipient monitoring visits for the Alcohol Open Container Requirements Program.

The HSD has established guidelines to monitor subrecipients, which include performing on-site visits of those subrecipients which receive more than \$100,000 in program funding during the current contract period. However, we noted the HSD did not perform on-site visits for four of six applicable subrecipients reviewed. The HSD Program Administrator indicated monthly update meetings were performed in the place of on-site visits; however, these meetings were not documented. In addition, the HSD did not always document why certain steps on its on-site monitoring form were not completed.

To ensure the subrecipients are in compliance with federal regulations, the HSD should document all monitoring activities.

- B. Some of the program funding provided to subrecipients is to purchase equipment that is used by the various subrecipients to help combat/prevent alcohol-related traffic accidents. In addition, some equipment is purchased directly by the HSD and distributed to various subrecipient (law enforcement) agencies. The HSD has not established adequate monitoring procedures to ensure equipment purchased by or provided to subrecipients is being used for the purpose intended, or has been procured or disposed of, if applicable, in accordance with federal and state guidelines.

Subrecipient agencies must follow the provisions of the A-102 Common Rule or OMB Circular A-110, which require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. In addition, subrecipients must follow the appropriate federal and state guidelines regarding the purchase and disposal of such equipment/property items. HSD monitoring

procedures should include a means of ensuring its subrecipients are following all requirements related to the usage, procurement, and disposal of equipment purchased with program funds.

- C. The HSD did not provide subrecipients, under its Alcohol Open Container Requirements Program, all necessary grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and amount, and the name of the federal agency.

OMB Circular A-133, section .400(d) requires a recipient agency to inform all subrecipients of the CFDA title and number, award name and amount, and name of the federal agency.

WE RECOMMEND the Department of Transportation, HSD:

- A. Ensure subrecipient monitoring is conducted in accordance with its established procedures and is adequately documented. If the monitoring procedures performed are different than those that have been formally established, the circumstances and alternative procedures should be documented.
- B. Ensure its monitoring procedures include a means of ensuring its subrecipients are following all requirements related to the usage, procurement, and disposal of equipment purchased with program funds.
- C. Provide its subrecipients all necessary grant award information, including the CFDA title and number, award name and amount, and name of the federal agency.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

STATE OF MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Our prior audit report issued for the year ended June 30, 2006, included no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2006, and the findings from the prior audits for the years ended June 30, 2005 and 2004, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2005 is as follows:

Findings numbered 1A, 1C and 1D, 2, 3, 4, 7, 8A-D, 9, 10, 11A1-8 and A10-11, 11B2 and B4, 11C, 11D1, and 11E were corrected.

Findings numbered 1B, 5, 6, 8E, 11A9, 11B1 and B3, and 11D2 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2004, all of the findings were corrected, no longer valid, or did not warrant further action.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2005-1B. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS did not require subrecipients to implement procedures for minimizing the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.

Recommendation:

The SOS establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

Status of Finding:

Implemented. The Secretary of State has adopted procedures to further minimize the time elapsed between transfer of funds and disbursement. These changes include implementing a payment process that requires local election authorities to provide copies of third party invoices, cancelled checks, or other forms of proof of payment prior to receiving funds. The Secretary of State's office also has revised the subgrantee agreements that require copies of invoices and prompt payment practices. In addition, the Secretary of State's office has increased subgrantee monitoring activities, including conducting on-site reviews, requiring certifications and periodic reporting by the local election authorities.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-5. Foster Care Compliance

Federal Agency: Department of Health and Human Services

Federal Program: 93.658 Foster Care – Title IV-E
2005-G0501MO1401 and 2004-G0501MO1401

State Agency: Department of Social Services (DSS)
Children's Division (CD)

Eligibility and payment documentation could not be located for some cases reviewed, and payments were made on behalf of ineligible individuals in four cases. Total expenditures related to these errors totaled \$38,931. We questioned the federal share of \$23,748 (61 percent).

Recommendation:

The CD resolve the questioned costs with the grantor agency. The CD should ensure efforts to finalize a permanency plan are completed within 12 months from when the child enters care, documentation of the effort is retained, and eligibility re-determinations are performed on an annual basis. Also, documentation for licenses and background checks of Foster Care providers needs to be retained in appropriate files. Additionally, all payments should be properly calculated and funded, made on behalf of eligible clients, and supported by adequate documentation.

Status of Finding:

As an update to the 2006 Summary Schedule of Prior Audit Finding response supplied, the CD notes that, regarding the matter of correctly ensured payments, training was conducted and concluded for circuit and regional managers relating to SAM II and Children's Services Integrated Payment Systems (CSIPS) payments in July 2006, and that there will be on-going training provided to staff on this topic.

Also, policies were approved and effected relating to license and background checks -- the policy references are CD06-60 (memorandum dated 06-21-06) and CD04-05 (memorandum dated 01-28-04).

Status of Questioned Costs:

The CD has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-6. Subrecipients – PSSF Grant

Federal Agency: Department of Health and Human Services

Federal Program: 93.556 Promoting Safe and Stable Families –
 2005-G0501MO00FP and 2004-G0501MO00FP

State Agency: Department of Social Services (DSS)
 Children's Division (CD)

The DSS did not identify local community partnerships receiving funding from the Promoting Safe and Stable Families (PSSF) grant as subrecipients. As a result, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS did not report any amounts provided to partnerships as funding to subrecipients.

Recommendation:

The DSS classify the local community partnerships as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

Status of Finding:

Our Corrective Action Plan remains unchanged. DSS disagrees with this finding and the additional administrative costs being recommended. The State Auditor concluded that because a large portion of the PSSF grant is used as a funding source to pay the 21 Community Partnerships, that each was a subrecipient of the PSSF grant. We disagree that the funding source used by the state agency creates a subrecipient relationship.

DSS believes the guidance provided in OMB Circular A-133 is intended to ensure audit standards are applied to the entity ultimately responsible for carrying out the objectives of a grant and the guidance provided must be viewed in that light. DSS has and wants to maintain the responsibility for carrying out the objectives for various grants at its disposal and approves or structures vendor contracts that meet the department goals. Those contract expenditures are then matched to the appropriate grant or grants. DSS does not generally act as a pass-thru agency and allow other entities to decide how specific grants should be utilized.

The contract over-site activities described are indicative of our vendor relationship. They ensure DSS contracted services are carried out and that contract expenditures DSS charges to a grant meet the grant requirements. These activities are vastly different from subrecipient relationships where DSS passes thru a specific grant and the responsibility for programmatic and fiscal grant compliance to a subrecipient.

Community Partnerships make programmatic decisions related to their operation and responsibilities necessary to meet their contractual obligations but they do not have the responsibility for making programmatic decisions to carry out the objectives of the PSSF grant.

Contact Person: Roger Backes

Phone number: (573) 751-2170

2005-8E. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
 2004 and 2005 – G050MO4004

State Agency: Department of Social Services (DSS)
 Family Support Division (FSD)

Court clerk errors caused some reports of undistributed collections to be overstated. In addition, case testing disclosed two court clerks incorrectly recorded non-cash credits for

IV-D cases on MACSS although state law requires only the division to record these credits. Also, automated functions the division relies on to release payments to families have not always worked as intended and the Division of Budget and Finance (DBF) has not reconciled accounting records of undistributed child support with cash in the State Treasurer's account, despite a prior recommendation by our office.

Recommendation:

The FSD establish a higher priority and sustained efforts to disburse undistributed collections by ensuring records of undistributed collections are correct and accurately reflect the amount of child support payments in a hold status by:

- Limiting the circuit clerks' ability to alter financial records to those duties required by statute,
- Promptly correcting computer system malfunctions when they are identified to ensure automated functions the FSD relies on work as intended, and
- Working with the Division of Budget and Finance to develop summary reports of undistributed collections to be reconciled with cash balances at least periodically to ensure records are in balance and sufficient cash is available to pay all liabilities.

Status of Finding:

The FSD disagreed with bullet point #1 in the response commentary to this (identical) finding in Performance Audit 2005-56-recommendation #4 and holds to an unchanged position in referencing Sections 454.536.2, and 454.432.5, RSMo.

The FSD holds to the same response offered for bullet point #2 (as identical in Performance Audit 2005-56-recommendation #4) that “Upon identification, automated system problems are evaluated and assigned a priority for completion.”

As to the third bullet point, the FSD response to 2005-56, recommendation #4 remains unchanged. Reconciliation reports are supplied to the Division of Budget and Finance (DBF). The DBF is reviewing these reports to ensure they meet its business need to reconcile undistributed child support with cash.

The FSD notes that the DSS received a decision position from the Administration for Children and Families on June 25, 2007, regarding this finding:

“The Regional Office concurs with the auditor’s findings. Appropriate corrective action is being taken. All non-monetary findings associated with the recommendation ... have been satisfactorily resolved.”

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-11A.9. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)
Questioned Costs: \$1,700

The RSB overpaid a client \$2,160 for personal incidental expenses. From September 2002 to April 2004, this client was paid \$500 a month for housing and meal expense plus up to \$120 per month for personal incidental expenses while attending college. We questioned the federal share of \$1,700 (78.7 percent) for the overpayments.

Recommendation:

The DSS-FSD, through the RSB, resolve the questioned costs with the grantor agency and ensure payments for maintenance and personal incidental expenses do not exceed the limit set by state regulation.

Status of Finding:

RSB established expanded and better defined policy and procedures, effective December 20, 2004, which ensure that maintenance payments do not exceed those authorities set in state regulation. That policy can be accessed in chapter 15 of the VR Policy and Procedure Manual on the DSS Intranet.

Status of Questioned Costs:

The FSD/RSB has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: Kevin Faust
Phone number: (573) 751-5304

2005-11B.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)
Questioned Costs: \$36,065

We identified expenditures totaling \$45,826 that did not appear reasonable and necessary to prepare for, secure, retain, or regain employment. We questioned the federal share of \$36,065 (78.7 percent).

Recommendation:

The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and ensure services provided to VR clients are appropriate. The services should enable clients to prepare for, secure, retain, or regain employment and meet applicable department policy.

Status of Finding:

The RSB contends that the nature and scope of the services deemed inappropriate by the State Auditor were, in fact, covered under a bonafide Individualized Plan for Employment (IPE) as developed by a qualified Vocational Rehabilitation (VR) counselor and agreed to by the (qualifying) consumer client. The guidelines for developing IPE's (including services to be supplied in the course of realizing the employability objective) are laid out by the Federal Government, and the RSB feels as though it has (and is) accordingly been in compliance. No disposition has been received from the granting agency on the correctness of the finding and, subsequently the issue has not yet been resolved.

Status of Questioned Costs:

The FSD/RSB has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: Kevin Faust

Phone number: (573) 751-5304

2005-11B3. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services – vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Questioned Costs: \$2,513

Some costs for a staff meeting, held at a resort at the Lake of the Ozarks in November 2004, did not appear reasonable or necessary. Lodging costs for 26 staff members domiciled in Jefferson City were \$2,517, and \$676 was charged for 13 unused rooms that were not canceled on a timely basis. We questioned the federal share of \$2,513 (78.7 percent).

Recommendation:

The DSS-FSD, through the RSB, resolve the questioned costs with the grantor agency and review expenditures for future staff meetings and ensure the costs are reasonable and necessary.

Status of Finding:

The RSB does not believe the staff meeting-related expenditures at issue violated federal guidance insofar as the use of grant funds; lodging costs, in this matter, are not in violation of state or department policy guidelines for such expenditures.

Typically, meeting attendees are afforded lodging with consideration given to circumstantial need – meeting participants, especially those with impairments, may have issues with transportation, for example, in having to commute from home/work base to the meeting site. Also, to best ensure that room bookings can be cancelled without penalty due to late cancellation notices, scheduled meeting attendees are urged to notify of a need to cancel a reservation sufficiently in advance if at all possible. The RSB is involved in an ongoing concerted effort to keep expenditures at the most prudent and value-conscious levels possible.

No disposition has been received from the granting agency on the correctness of the finding in regard to appropriate use of grant funds and, subsequently the issue has not yet been resolved.

Status of Questioned Costs:

The FSD/RSB has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: Kevin Faust

Phone number: (573) 751-5304

2005-11D2. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

The Deputy Director of RSB was not serving the RSB on a full-time basis, as required by federal regulation.

Recommendation:

The DSS-FSD, through the RSB, ensure the Deputy Director serves the RSB on a full-time basis, as required by federal regulation.

Status of Finding:

The FSD/RSB holds to the original response position that its Director is in fact a full-time Director as expected under Federal Regulation 34 CFR 361.13(b)(1)(ii). The FSD did not locate a formal definition of “full-time” in the subpart section 361.5 (Applicable definitions) under title 34. As opposed, though, to a (limited) standard 40-hour week most employees work on to meet the full-time definition, the RSB Director is expected to devote ample time to the job and its demands to ensure optimal effective and efficient operation – and to do so can not infrequently command attention considerably in excess of 40 hours per week. It should be noted that it is not uncommon for State Government Administrative and higher-level management personnel to additionally assume responsibility for other duties within their agency -- it does not follow that other job duties will subsequently suffer due to lack of adequate attention, as seems to be suggested by the audit finding and recommendation.

The federal Rehabilitation Services Administration (RSA), in their federal fiscal year 2005 monitoring report for Rehabilitation Services for the Blind's Vocational Rehabilitation Program, noted the issue of the full-time status of the RSB Director, but offered no final answer to the acceptability of his additional duties. RSA, per the monitoring report, reserved the right to revisit this issue, although it has not been questioned in two subsequent State Plan submissions. The Director in question left RSB in July, 2007 and has not yet been replaced. The Acting Director of RSB has no additional duties whose scope extends beyond RSB.

Contact Person: Kevin Faust
Phone number: (573) 751-5304

2006-1. Review of Information Technology Support Division

Federal Agency: Department of Health and Human Services, Department of Agriculture
Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
2006 - 06WIC
2005 – 05WIC
2005 – 3MO700754
2004 – 04WIC
93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs
2006 – CCU700495-24
2005 – CCU700495-23
93.268 Immunization Grants
2006 – CCH722543-04
2005 – CCH722543-03
93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance
2006 - CCU716971-06

2005 - CCU722433-03
2004 - CCU716971-4A
93.777 State Survey and Certification of Health Care Providers and
Suppliers
2006 - 06TITLEXVIII
2005 - 05TITLEXVIII
93.889 National Bioterrorism Hospital Preparedness Program
2006 - 3RHS05937-01
2005 - MC03938-01
93.991 Preventive Health and Health Services Block Grant
2006 - 06PHS
2005 - 05PHS
2004 - 04PHS
93.994 Maternal and Child Health Services Block Grant to the States
2006 - 06MCH
2005 - 05MCH

State Agency: Department of Health and Senior Services (DHSS)

Concerns were noted in an internal review conducted by the DHSS of the newly consolidated Information Technology Support Division (ITSD), including: the risk of incorrect funding for contractual expenditures, a lack of a centralized project management system and reporting, inaccuracy of time accounting and employee timesheets, the risk of incorrect funding used for expense and equipment expenditures, and inconsistency in funding used on employee expense accounts as compared to payroll records. As a result, DHSS expanded their review to focus on contractual services, personal services, equipment purchases, and expense accounts to ensure proper use of federal and other funds. As of February 2007, this review was still ongoing.

Recommendation:

The DHSS complete the expanded review of ITSD operations and funding which is currently in progress. Any findings and questioned costs should be properly reported to the applicable federal authorities. In addition, the DHSS should implement appropriate corrective action(s) to ensure proper controls and procedures are in place to prevent any reported problems from reoccurring in the future.

Status of Finding:

The expanded review of the former DHSS Office of Information Systems was completed in May 2007 and a copy of the report provided to the Department of Health and Human Services Office of Inspector General (DHHS-OIG) and to the Missouri State Auditor's Office. As of September 26, 2007, a response has not been received from DHHS-OIG.

A corrective action plan was submitted by ITSD to address various items noted in the review. ITSD implemented a centralized project management/reporting tool to track time spent on projects by contractors. Invoices are reconciled against the database to ensure accuracy. A project steering committee will define processes and procedures related to project management. The Office of Administration-Division of Purchasing and Materials

Management, conducted training of ITSD employees and contractors on the project assessment quotation process.

Several action steps were included in the corrective action plan concerning time coding, such as reviewing employee time coding to ensure work is accurately reflected; providing time coding training to employees; and implementing time accounting software during Fiscal Year 2008. Mandatory time coding training was completed in August 2007. Employees were provided information regarding the importance of accurate time coding as well as applicable requirements and policies. Individual and supervisor responsibilities when completing and approving time sheets, including understanding the codes used on time sheets, were also highlighted in the training.

ITSD established weekly management/budget meetings and will be updating expense and equipment request procedures. A new budget-tracking database will also be implemented. Expense accounts will be reviewed to ensure clear notations as to purpose, and periodic reviews of expense accounts and associated payroll costs will be performed to ensure correlation of funding sources. Guidelines are being developed for field staff and client service managers to use in identifying work done by field staff to ensure proper coding. ITSD/DHSS will follow ITSD's policies and procedures regarding when to enter a fixed assets record in SAM II for fixed assets purchased by ITSD/DHSS.

In January 2008, DHSS consulted with ITSD to verify the planned action steps have been implemented and are functioning.

Contact Person: Bret Fischer
Phone number: (573) 751-6014

2006-2. Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
Federal Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
St. Louis Transitions Grant - #5 U79 SM56220-04, Contract periods – October 1, 2004 to September 30, 2005 and October 1, 2005 to September 30, 2006
State Agency: Department of Mental Health (DMH) – Division of Comprehensive Psychiatric Services

The DMH had not adequately monitored all subrecipients related to the above referenced program to ensure an audit in accordance with OMB Circular A-133 had been performed and submitted to the DMH on a timely basis, as required, or that problems reported in previous audits had been addressed.

Recommendation:

The DMH ensures it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring that all subrecipients submit an A-133 audit on a timely basis, as required, issuing a management decision on audit findings within six months after receipt of a subrecipient audit report, and ensuring subrecipients take appropriate and timely corrective action related to any problems reported.

Status of Finding:

Corrective action was taken.

Contact Person: Janet Gordon
Phone number: (573) 751-8067

2006-3A. State Revolving Funds

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for Clean Water State Revolving Funds
2004-CS290001-09 and 2005-CS290001-08
66.468 Capitalization Grants for Drinking Water State Revolving Funds
FS997629-04, FS997629-03, FS997629-02, FS997629-01,
FS997629-00, FS997629-99, FS997629-98, and FS997629-97
State Agency: Department of Natural Resources (DNR)

The DNR did not sufficiently monitor their system for tracking federal awards paid to subrecipients. As a result, the DNR could not ensure program recipients obtained and submitted audits to the DNR when applicable.

Recommendation:

The DNR establish procedures to better monitor subrecipients and ensure subrecipients obtain and submit audit reports as required by OMB Circular A-133.

Status of Finding:

Corrective action has been taken.

Contact Person: Tonya Roth
Phone number: (573) 522-3008

2006-3B. State Revolving Funds

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for Clean Water State Revolving Funds
 2004-CS290001-09 and 2005-CS290001-08
 66.468 Capitalization Grants for Drinking Water State Revolving Funds
 FS997629-04, FS997629-03, FS997629-02, FS997629-01,
 FS997629-00, FS997629-99, FS997629-98, and FS997629-97
State Agency: Department of Natural Resources (DNR)

The DNR had not established adequate procedures to ensure required quarterly construction site inspections are performed. As a result, the DNR had less assurance these construction projects met the approved plans and specification, or whether the subrecipients complied with applicable state and federal regulations.

Recommendation:

The DNR ensure quarterly construction site inspections are performed as required by department policy, and the results of those inspections are documented.

Status of Finding:

Corrective action has been taken.

Contact Person: Joe Boland
Phone number: (573) 751-1399

2006-4. Homeland Security Grants

Federal Agency: Department of Homeland Security
Federal Program: 16.007 State Homeland Security Grant Program –
 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003
 16.011 Urban Areas Security Initiative –
 2003-EU-T3-0030
 97.004 State Domestic Preparedness Equipment Support Grant
 Program – 2004-GE-T4-0049
 97.008 Urban Areas Security Initiative –
 2004-TU-T4-0007
 97.042 Emergency Management Performance Grant –
 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003
 97.067 State Homeland Security Grant Programs –
 2005-GE-T5-0022
State Agency: Department of Public Safety (DPS) –
 State Emergency Management Agency (SEMA)
Questioned Costs: \$588,035

The SEMA had not established adequate policies or procedures for on-site monitoring of subrecipients to ensure federal monies expended were for allowable activities and costs. Separate audits performed by the Missouri State Auditor's Office questioned federal expenditures of \$284,493 and \$303,542 relating to this federal program in Miller County and DeKalb County, respectively. Had onsite monitoring been performed, such problems may have been noted and corrected on a more timely basis.

Recommendation:

The Department of Public Safety, through the State Emergency Management Agency, establish written policies and procedures for on-site monitoring and perform such monitoring to ensure subrecipients are expending federal monies for allowable activities and costs, and following proper purchasing and bidding requirements.

Status of Finding:

State Emergency Management Agency has developed written policies and procedures to complete on-site monitoring of subrecipients.

Status of Questioned Costs:

The questioned costs have been resolved with the two jurisdictions. Miller County used their purchasing procedures to procure the equipment and a copy of the actual check used to pay is in our files. Dekalb County did request a change in their allocation and the equipment purchased met the grant equipment guidelines as well as the additional equipment purchased with the savings.

Contact Person: Craig Rodick/ Tom Mohr

Phone number: (573) 526-9106/ (573) 526-9245

2006-5. Earmarking – Social Services Block Grant

Federal Agency: Department of Health and Human Services

Federal Program: 93.667 – Social Services Block Grant
 2005 – G0501MOSOSR and 2006 - G0601MOSOSR

Questioned Costs: \$21,705,174

The DSS had not established procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) were being used for programs and services to eligible individuals. As a result, TANF transferred to the SSBG could be used for programs and services that are not allowed. We questioned the amount transferred, totaling \$21,705,174.

Recommendation:

The DSS resolve the questioned costs with the grantor agency and implement procedures to ensure that TANF funds transferred to the SSBG are used for programs and services to children or their families whose income meets program guidelines.

Status of Finding:

The DSS disagreed with the finding because the audit failed to consider the Department's analysis of the income resources for populations served with SSBG funding. The Department has unofficially resolved this finding with the grantor agency.

Status of Questioned Costs:

The questioned costs have not been officially resolved with the grantor agency.

Contact Person: Roger Backes

Phone number: (573) 751-2170

2006-6A. Child Care Payments

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

State Agency: Department of Social Services (DSS) – Children's Division (CD), Family Support Division (FSD), and Division of Budget and Finance (DBF)

Questioned Costs: \$31,683

Eligibility payment documentation could not be located for some child care cases reviewed. The total child care payments made on behalf of these children during the year ended June 30, 2006, totaled \$33,868. We questioned the federal share of \$27,189 (80.28 percent). In addition, some child care payments were not supported by adequate documentation. Attendance records were not always signed, some provider invoices did not agree to corresponding attendance records, some provider invoices could not be located, some attendance records did not include all applicable children and service dates, and a provider agreement could not be located. Also, overpayments were made because DSS sometimes authorized incorrect child care services and was inconsistent in the maximum number of monthly child care days authorized. The payments related to the inadequate documentation and overpayments totaled \$5,598. We questioned the federal share of \$4,494 (80.28 percent).

Recommendation:

The DSS through the CD, FSD, and DBF resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, and appropriate child care services are authorized.

Status of Finding:

Response to Department of Health and Human Services, the federal grantor for the Child Care and Development Fund, was completed June 5, 2007.

Eligibility determination for the Child Care Assistance program is a function of the FSD. The eligibility is part of an automated eligibility system for all public assistance programs with FSD. All eligibility factors are entered into the system based on the level of documentation and verification. Eligibility factors that require hard copy documentation are maintained in a paper case record. Because many of the eligibility factors are required by other public assistance programs, the hard copy document may be located in another section of the case record, such as the Food Stamp or Temporary Assistance sections. If hard copy documentation is required, it is required that the copy be located in the case record.

FSD Eligibility Specialists have their case records reviewed by their supervisor by random sampling each month. As part of this review, all required documentation and verification must be part of the case record, the record must be complete and properly maintained or the worker is found to be deficient.

Child care payments are documented in the child care provider's record. While attendance records are required to be maintained by the child care provider, if the provider is licensed and contracted with DSS, they are not required to send their attendance records to the FSD/CD office when they submit their invoices. DSS is in the process of developing an electronic time and attendance process. This will allow the agency to more accurately capture time children are in and out of care. It will also eliminate the paper attendance records and invoices. The system allows the state agency to track attendance and payments more precisely than the current process of checking paper documents.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency. A determination on recoupment will be made after resolution with the grantor agency.

Contact Person: Becky Houf

Phone number: (573) 526-3899

2006-6B. Child Care Payments

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Budget and Finance (DBF)

The policies and procedures for monitoring child care providers needed improvement. The compliance review instructions did not require the comparison of invoice dates and times to attendance records; some child care providers were excluded from monitoring; the DBF had not established a risk-based approach to selecting providers to monitor; and the supervisor responsible for reviewing contract compliance review reports did not document her review and approval. Without such monitoring, DSS could not ensure payments made to providers were adequate or that proper review and approval took place.

Recommendation:

The DSS through the CD, FSD, and DBF expand provider monitoring procedures to compare invoices to attendance records to ensure all providers are included in the population, and to utilize a risk-based approach to selecting providers to review. In addition, the DBF supervisor responsible for reviewing the monitoring visit report should initial and date the report to indicate review and approval.

Status of Finding:

The DBF contract compliance unit is comparing the invoices to attendance records on a sample basis and ensuring that all providers within the state are included in the sample population. DBF is also utilizing a risk-based approach to select providers for review. All reviews that have been completed are being initialed, and additionally, a compliance management database under development by ITSD will help ensure all compliance reviews are reviewed centrally and followed up on as appropriate.

Contact Person: Ami Patel

Phone number: (573) 751-1006

2006-7. Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement

2005 - G0504MO4004 and 2006 - G0604MO4004

93.575 Child Care and Development Block Grant

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.667 Social Services Block Grant

2005 - G0501MOSOSR and 2006 - G0601MOSOSR

State Agency: Department of Social Services (DSS)

The DSS did not ensure all entities paid more than \$25,000 were not suspended or

debarred, or otherwise excluded from receiving federal funds as required by federal regulation.

Recommendation:

The DSS implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:

Procedures were changed to notify Office of Administration (OA) when contracts exceeding \$25,000 are funded with federal funds to include suspension and debarment language. Staff, however, had an incomplete knowledge of federal funds and therefore, unintentionally, were not informing OA of all contracts that are federally funded. DSS has changed its procedure to request that OA include suspension and debarment language in all contracts.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2006-8. Salary Certifications

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
 2005 - G0504MO4004 and 2006 - G0604MO4004
 93.658 Foster Care - Title IV-E
 2005 - G0501MO1401 and 2006 - G0601MO1401
 93.674 Chafee Foster Care Independent Living
 2004 - G0401MO1420 and 2005 - G0501MO1420

State Agency: Department of Social Services (DSS) – Family Support Division (FSD)
 and Children's Division (CD)

Questioned Costs: \$63,887

Salary certifications were only prepared for those employees working solely on a single program in the last pay period of the reporting period. As a result, employees who worked on a single program for periods other than the last payroll of the reporting period were not certified. We questioned the federal share of the salaries and fringe benefits, totaling \$56,673, for employees working during the period April to June 2006. In addition, certifications were not always prepared for two FSD employees working on the Child Support Enforcement (CSE) program. We questioned the federal share of their salaries and fringe benefits, totaling \$7,214, for these employees during the period July to September 2005.

Recommendation:

The DSS resolve the questioned costs with the grantor agency and ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

Status of Finding:

Our Corrective Action Plan remains unchanged. The Department of Social Services (DSS) disagrees with this finding. The DSS prepares periodic salary certifications in compliance with Office of Management and Budget (OMB) Circular A-87 for employees that are expected to work solely on a single Federal award. The periodic certifications are completed at least semiannually and signed by a supervisory staff having first-hand knowledge of the work performed by the employee. The periodic certification does not require a certification statement for an employee that has terminated or moved to a position where the more stringent after-the-fact personnel activity reports are required. The DSS is currently waiting on the final resolution from the grantor agency.

Status of Questioned Costs:

The DSS has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: Roger Backes
Phone number: (573) 751-2170

2006-9A. **Children's Services Integrated Payment System**

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
 2005 - G0501MO00FP and 2006 - G0601MO00FP
93.558 Temporary Assistance for Needy Families
 2005 - G0501MOTANF and 2006 - G0601MOTANF
93.575 Child Care and Development Block Grant
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and
 Development Fund
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.658 Foster Care - Title IV-E
 2005 - G0501MO1401 and 2006 - G0601MO1401
93.667 Social Services Block Grant
 2005 - G0501MOSOSR and 2006 - G0601MOSOSR
93.778 Medical Assistance Program
 2005 - 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
Information Technology Services Division (ITSD)

The Children's Services Integrated Payment System (CSIPS) did not record or track the

exact calendar days services were provided. In fiscal year 2005, the DSS overpaid vendors at least \$31,898 due to exact service dates not being recorded on the payment transactions. In addition, other potential overpayments were identified.

Recommendation:

The DSS recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD include the capability to document exact service dates instead of only the service month and year for children services payment transactions in the CSIPS and/or include this functionality in the design and development of the new system.

Status of Finding:

The Children's Division (CD) moved forward immediately to recoup overpayments identified in the report. CD has agreed that \$41,627.31 (includes amounts from 2006-9A, 2006-9B, and additional overpayments identified by the CD) should be recouped. As of December 28, 2007, \$34,554.31 has been recouped. The remaining amount is still in the process of being recouped.

The CD will include this functionality in the design and development of the new payment system.

Contact Person: Stacy Wright

Phone number: (573) 751-3714

2006-9B. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services

Federal Program: 93.556 Promoting Safe and Stable Families

2005 - G0501MO00FP and 2006 - G0601MO00FP

93.558 Temporary Assistance for Needy Families

2005 - G0501MOTANF and 2006 - G0601MOTANF

93.575 Child Care and Development Block Grant

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.658 Foster Care - Title IV-E

2005 - G0501MO1401 and 2006 - G0601MO1401

93.667 Social Services Block Grant

2005 - G0501MOSOSR and 2006 - G0601MOSOSR

93.778 Medical Assistance Program

2005 - 05-0505MO5028 and 2006 - 05-0605MO5028

State Agency: Department of Social Services (DSS) and Office of Administration – Information Technology Services Division (ITSD)

Established data validation and edit controls were not working effectively and some edit controls had not been included in the Children's Services Integrated Payment System (CSIPS). In fiscal year 2005, the DSS overpaid vendors \$19,730 due to weaknesses in controls over payments. Other potential overpayments were also identified.

Recommendation:

The DSS recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD establish procedures to ensure all payment data is checked for accuracy, propriety, and completeness by proper data validation and edit controls before and during processing. Specifically, the DSS should review the following edits to consider adding them to the CSIPS and/or to the design and development of the new system:

- a. Require service units and service rates on all payment transactions with the appropriate minimum and maximum units and rates.
- b. Place data validation rules on service codes to ensure payment data is compliant with the service code restrictions and to ensure the appropriate rate is used.
- c. Limit the payments for clothing to ensure compliance with the Child Welfare Manual.
- d. Revise the duplicate payment edit to review the entire payment history instead of just the pending payment file.
- e. Revise the child care edit to review payment history to ensure only 23 days are allowed in a month.
- f. Establish edits limiting absences and holidays for child care payments.
- g. Differentiate between weekend and evening child care payments and establish appropriate edits limiting the days allowed

Status of Finding:

- a. The Children's Division will include this functionality in the design and development of the new payment system for applicable payment transactions.
- b. The Children's Division will include this functionality in the design and development of the new payment system.
- c. Children's Division Management will include this edit in the new payment system.
- d. The payment system now checks the entire payment history for program areas Day Care (DC), Residential Treatment (RT) and Children's Treatment Services (CTS). The Children's Division will include this functionality for program area Alternative Care (AC) in the design and development of the new payment system.
- e. The Children's Division is working with ITSD in developing a process to create child care authorizations in their Family and Children Electronic System (FACES) that will

transfer to the Family Assistance Management Information System (FAMIS) to be maintained. The authorizations will be subject to the system requirements in FAMIS that currently include a maximum number of units of care not to exceed 25 days as daytime units or 25 days as evening/weekend units. This means that any combination of care, whether the units are part time, half time or full time, can not total more than 25 in any given month. The reasoning for limiting to 25 rather than 23 is to accommodate situations where a combination of units (part time, half time, full time) may be necessary to meet the child care needs of the eligible family.

f. The Children's Division is working with ITSD in developing a process to create child care authorizations in their FACES system that will transfer to the FAMIS system to be maintained. The authorizations will be subject to the system requirements in FAMIS that currently include a maximum number of absences and holidays based on the total number of authorized units for the child care household. If a child is authorized for 5 units of care a week, the maximum of absences and holidays combined a month can not exceed five per month. If a child is authorized for three, but less than five, units of care, the maximum number of absences and holidays combined can not exceed three per month. In situations where the units of care is less than three per week, the number of absences and holidays combined will reflect the number of units authorized per week, example: A child is authorized for one unit of care per week, the number of absences/holidays allowed for the month is only one.

g. The Children's Division is working with ITSD in developing a process to create child care authorizations in their FACES system that will transfer to the FAMIS system to be maintained. The authorizations will be subject to the system requirements in FAMIS that may be modified to differentiate evening units from weekend units at the time development and programming occur to transfer authorizations from FACES to FAMIS.

Contact Person: Stacy Wright and Becky Houf
Phone number: (573) 751-3714 and (573) 526-3899

2006-9C. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
 2005 - G0501MO00FP and 2006 - G0601MO00FP
93.558 Temporary Assistance for Needy Families
 2005 - G0501MOTANF and 2006 - G0601MOTANF
93.575 Child Care and Development Block Grant
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and
 Development Fund
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.658 Foster Care - Title IV-E
 2005 - G0501MO1401 and 2006 - G0601MO1401

93.667 Social Services Block Grant
 2005 - G0501MOSOSR and 2006 - G0601MOSOSR
 93.778 Medical Assistance Program
 2005 - 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
 Information Technology Services Division (ITSD)

The DSS did not perform post-payment reviews or authorize payment source documents electronically after input into the Children's Services Integrated Payment System (CSIPS) to ensure the amount approved on the source document equals the amount input on the payment transaction.

Recommendation:

The DSS through the ITSD establish procedures for reviewing payments to ensure the amount input agrees to the amount approved. The DSS should consider adding a workflow requirement to apply electronic signatures to authorize or approve source documents before the system will allow payments to process and/or include this functionality in the design and development of the new system.

Status of Finding:

The current system does include edits to ensure the amount input agrees or is less than the amount approved, when the payment is first authorized in the Service Eligibility and Authorization System (SEAS) and then payment through a CS-65a invoice. The Children's Division will include a workflow in the design and development of the new payment system which has electronic signatures for authorizing and approving payments.

Contact Person: Stacy Wright
Phone number: (573) 751-3714

2006-9D. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
 2005 - G0501MO00FP and 2006 - G0601MO00FP
 93.558 Temporary Assistance for Needy Families
 2005 - G0501MOTANF and 2006 - G0601MOTANF
 93.575 Child Care and Development Block Grant
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
 93.596 Child Care Mandatory and Matching Funds of the Child Care and
 Development Fund
 2005 - G0501MOCCDF and 2006 - G0601MOCCDF
 93.658 Foster Care - Title IV-E
 2005 - G0501MO1401 and 2006 - G0601MO1401
 93.667 Social Services Block Grant
 2005 - G0501MOSOSR and 2006 - G0601MOSOSR

93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
Information Technology Services Division (ITSD)

The DSS did not monitor the use of overrides on the Children's Services Integrated Payment System (CSIPS) payment transactions.

Recommendation:

The DSS through the ITSD develop policies and procedures for monitoring override transaction usage to ensure payments are being properly processed.

Status of Finding:

DSS has limited override capability to the Children's Division Payment Unit-Central Office. Override usage is now monitored daily by the Payment Unit supervisor.

Contact Person: Stacy Wright
Phone number: (573) 751-3714

2006-9E. Children's Services Integrated Payment System

Federal Agency: Department of Health and Human Services
Federal Program: 93.556 Promoting Safe and Stable Families
2005 - G0501MO00FP and 2006 - G0601MO00FP
93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF
93.575 Child Care and Development Block Grant
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and
Development Fund
2005 - G0501MOCCDF and 2006 - G0601MOCCDF
93.658 Foster Care - Title IV-E
2005 - G0501MO1401 and 2006 - G0601MO1401
93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR
93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency: Department of Social Services (DSS) and Office of Administration –
Information Technology Services Division (ITSD)

The DSS had not formally documented procedures for tracking overpayments and processing deductions, processing transaction errors, or for the retention of payment source documents for transactions processed on the Children's Services Integrated Payment System (CSIPS).

Recommendation:

The DSS through the ITSD:

1. Develop procedures for tracking child service overpayments to ensure monies are recouped from future vendor payments or are repaid by the vendors. DSS and ITSD officials should evaluate the cost of modifying the current child welfare payment system or including specifications in the future system to adequately track vendor overpayments and deductions with automated procedures.
2. Establish documented policies and procedures for handling source document errors and the resubmission of corrected data. In addition, develop error logs so officials can monitor and follow-up on the correction and resubmission of payment transaction errors.
3. Revise the source documentation retention policy to include how documents are retained and stored for all CSIPS payments.

Status of Finding:

1. The Children's Division will include this functionality in the design and development of the new payment system.
2. Children's Division Payment Unit staff have established draft policies and procedures for handling source document errors and the resubmission of corrected data. This will be documented in the CSIPS Payment Handbook. Children's Division Payment Unit staff are currently logging errors and following-up with local payment specialists on the correction and resubmission of payments.
3. Children's Division officials have drafted a revision to the source documentation retention policy to include how documentation should be retained and stored for payments made by Central Office staff. An updated CSIPS Payment Handbook is expected to be issued by spring of 2008.

Contact Person: Stacy Wright

Phone number: (573) 751-3714

2006-10A. Office of Attorney General Billings

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement

2005 - G0504MO4004 and 2006 - G0604MO4004

93.778 Medical Assistance Program

2005 - 05-0505MO5028 and 2006 - 05-0605MO5028

State Agency: Office of Attorney General (AGO) – Financial Services Division (FSD)
and Department of Social Services (DSS) – Division of Budget and
Finance (DBF)

The AGO did not follow its cooperative agreement when billing the DSS. The AGO did not bill salary and fringe benefits for individuals who worked exclusively on one federal program directly to that program and did not include all attorneys and staff in the billing calculation.

Recommendation:

The AGO revise its policies and procedures to ensure compliance with the cooperative agreement with the DSS. The salaries and fringe benefits for employees working solely on one federal program should be billed directly to the program and all FSD employees should be included in the billing allocation calculation

Status of Finding:

As indicated, the AGO believes the cooperative agreement provides that employees working exclusively on one federal program can be included in the billing calculation. Currently, all staff working on the federal programs are included in the billing calculation.

Contact Person: Doug Nelson

Phone number: (573) 751-4406

2006-10B. Office of Attorney General Billings

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2005 - G0504MO4004 and 2006 - G0604MO4004

93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 - 05-0605MO5028

State Agency: Office of Attorney General (AGO) – Financial Services Division (FSD)
and Department of Social Services (DSS) – Division of Budget and Finance (DBF)

Time records were not adequate to determine the extent that billings to the DSS may have been incorrect. Also, some timesheets were not signed by the employees.

Recommendation:

The AGO ensure all time records used in the allocation calculation are complete and accurate. Also, the time records should be signed by the employee.

Status of Finding:

Implemented.

Contact Person: Doug Nelson

Phone number: (573) 751-4406

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2005 - G0504MO4004 and 2006 - G0604MO4004
93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 - 05-0605MO5028
State Agency: Office of Attorney General (AGO) – Financial Services Division (FSD)
and Department of Social Services (DSS) – Division of Budget and
Finance (DBF)

Recommendation:

Status of Finding:

Contact Person: Doug Nelson
Phone number: (573) 751-4406

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF
	93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401
	93.659 Adoption Assistance 2005 - G0501MO1407 and 2006 - G0601MO1407
	93.667 Social Services Block Grant 2005 - G0501MOSOSR and 2006 - G0601MOSOSR
	93.778 Medical Assistance Program 2005 - 05-0505MO5028 and 2006 – 05-0605MO5028
State Agency:	Department of Social Services (DSS) – Children's Division (CD) and Division of Budget and Finance (DBF)

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Recommendation:

The DSS-CD implement procedures to achieve a 90 percent response rate from employees for the RMTS.

Status of Finding:

Our Corrective Action Plan remains unchanged. The DHSS Division of Cost Allocation does not require a 90 percent response rate for random moment time studies. The Random Moment Time Study (RMTS) is based on the statistical Small Sample methodology and using parameters approved by the Division of Cost Allocation produces statistically valid results based on a return of 2,160 moments. The response rate does affect the number of sample requests that must be sent but does not affect the statistical validity of the results. However, DSS has conducted training which resulted in improved response rates. This finding has been unofficially resolved with the grantor agency.

Contact Person: Roger Backes

Phone number: (573) 751-2170

2006-12A. Schedule of Expenditures of Federal Awards

Federal Agency:	Department of Agriculture, Department of Education, Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF 93.575 Child Care and Development Block Grant 2005 - G0501MOCCDF and 2006 - G0601MOCCDF 93.659 Adoption Assistance 2005 - G0501MO1407 and 2006 - G0601MO1407 93.778 Medical Assistance Program 2005 - 05-0505MO5028and 2006 – 05-0605MO5028
State Agency:	Department of Social Services (DSS) – Division of Budget and Finance (DBF), Family Support Division (FSD), and Children's Division (CD)

Expenditures reported on the original schedule of expenditures of federal awards (SEFA) prepared by the DBF were overstated by a net amount of approximately \$56 million. The majority of errors resulted from the incorrect compilation of data from the programs' federal reports, accounting for federal expenditures twice, and incorrect amounts were used from some federal reports. A reconciliation of the federal reports to the prepared SEFA would have detected these misstatements and helped ensure the SEFA was accurate.

Recommendation:

The DSS-DBF implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

Status of Finding:

Procedures to ensure accurate completion of the SEFA are in place.

Contact Person: Roger Backes

Phone number: (573) 751-2170

2006-12B.

Schedule of Expenditures of Federal Awards

Federal Agency: Department of Agriculture, Department of Education, Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for Food Stamp Program
2005 and 2006 - IE251843, IS251443, and IS252043

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
2005 and 2006 H126A040037

93.556 Promoting Safe and Stable Families
2005 - G0501MO00FP and 2006 - G0601MO00FP

93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF

93.566 Refugee and Entrant Assistance - State Administered Programs
2003 - G03AAMO7110, 2004 - G03AAMO7110, 2005 – G05AAMO7100, and 2006 - G06AAMO7100

93.568 Low-Income Energy Assistance
2005 - G05B1MOLIEA and 2006 – G0561MOLIEA

93.575 Child Care and Development Block Grant
2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.658 Foster Care - Title IV-E
2005 - G0501MO1401 and 2006 - G0601MO1401

93.659 Adoption Assistance
2005 - G0501MO1407 and 2006 - G0601MO1407

93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR

93.778 Medical Assistance Program
2005 - 05-0505MO5028 and 2006 – 05-0605MO5028

State Agency: Department of Social Services (DSS) – Division of Budget and Finance (DBF), Family Support Division (FSD), and Children's Division (CD)

The DSS made payments to several entities which appear to be subrecipients; however, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs. As a result, these entities were not furnished applicable federal regulations and were not required to obtain A-133 audits, when needed. While DSS maintains these entities were not subrecipients, the DSS had developed a written

monitoring program and monitored these partnerships as if they were subrecipients.

Recommendation:

The DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

Status of Finding:

Our Corrective Action Plan remains unchanged. DSS disagrees with this finding and the additional administrative costs being recommended.

The Department of Health and Human Services has not addressed this finding.

Contact Person: Roger Backes

Phone number: (573) 751-2170

2006-13. Temporary Assistance For Needy Families Compliance

Federal Agency: Department of Health and Human Services

Federal Program: 93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF

State Agency: Department of Social Services – Family Support Division (FSD)

Questioned Costs: \$13,451

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. Because the DSS did not maintain the required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. The payments related to specific errors and client payments totaled \$2,757 and \$24,075, respectively. We questioned the federal share of the total payments, or \$13,451 (55.87 percent).

Recommendation:

The FSD improve internal controls to ensure complete case files are maintained to adequately support applications, eligibility determinations, case decisions, and expenditures. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:

FSD supervisory staff will continue to read TANF cases as a regular practice of case reading. Supervisors will note when signed applications are missing from the record and require that eligibility specialists file the signed applications in the record. FSD will continue to request through the Income Eligibility Verification System, wage and unemployment compensation information. FSD continues to require that staff verify income for TANF cases and document the verification used in the FAMIS record.

Status of Questioned Costs:

The Department of Health & Human Services (HHS) completed an initial review of the audit report. FSD has not been notified that a final determination has been made by HHS.

Contact Person: Sharon Denney

Phone number: (573) 751-3216

2006-14. Child Support Allowable Costs

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2005 - G0504MO4004 and 2006 - G0604MO4004

State Agency: Department of Social Services – Family Support Division (FSD)

Questioned Costs: \$12,811

We identified various expenditures totaling \$12,811 (federal share) charged to the child support grant that were either unallowable or unnecessary. These costs included attorney fees, judgments, interest claimed for reimbursement, a charitable donation, retirement plaques, state sales tax, and overpayments.

Recommendation:

The FSD resolve the questioned costs with the grantor agency. In addition, the division should establish procedures to ensure costs charged to the grant are allowable and necessary to administer the child support program.

Status of Finding:

As an enhancement to our prior response, to ensure that (retirement plaques) are not charged to the IV-D program, the FSD notes that coding was changed July 2007.

Also, coding sheets were updated in July 2007 so that attorney fees paid for lawsuit settlements won't, in the future, be charged against the IV-D program, pending a federal decision. It is to be noted the FSD has not yet received a federal decision on whether this is an allowable practice.

Status of Questioned Costs:

The FSD/CSE has not received a disposition from the granting agency and, subsequently, the matter of questioned costs has not yet been resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967



Susan Montee, CPA
Missouri State Auditor

Twenty First Judicial Circuit

City of Pagedale Municipal Division



March 2008

Report No. 2008-16

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

An audit was conducted by our office of the Twenty-first Judicial Circuit, city of Pagedale, Missouri Municipal Division.

The municipal court collects approximately \$377,000 annually in fines and court costs. Court records were poorly maintained and at least \$1,088 in court monies appear to have been misappropriated. Additional amounts may also be missing due to control weaknesses over municipal court receipts. Neither the city nor court personnel reconcile the method of payment received to the composition of the deposits to ensure receipts were deposited intact. The lack of this comparison allowed unrecorded money orders to be substituted into deposits, receipt slips to be issued for less than received, and cash receipts to be misappropriated.

The unrecorded money orders were posted to the court computer system (REJIS). However, reports on daily receipts posted to REJIS are not generated and as a result receipts per REJIS are not reconciled to the ledgers or monies deposited. A reconciliation of the receipt information posted to the computer system would have allowed the city to detect possible problems in the monies collected.

The method of payment is not always recorded on the receipt slips/ledger and in some instances both cash and money order were marked. Deposits are not made intact as some cash refunds are made for overpayments of fines and court costs paid by money order.

A monthly listing of bond open items is not prepared and reconciled with the bond account. At the end of each fiscal year, the city bookkeeper prepares a summary report of bond open items. The summary list for September 30, 2007, totaled \$35,938 while the bond account bank balance was only \$32,379, resulting in a \$3,559 shortage. In addition, procedures have not been established to resolve old outstanding checks for the bond account, monies received are not always deposited on a timely basis, and procedures have not been established to adequately monitor accrued costs owed to the court. Also, the Municipal Court and Police Department do not account for the numerical sequence of tickets issued.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY FIRST JUDICIAL CIRCUIT
CITY OF PAGEDALE
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty First Judicial Circuit
and
Municipal Judge
Pagedale, Missouri

We have audited certain operations of the city of Pagedale Municipal Division of the Twenty First Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the year ended September 30, 2007. The objectives of this audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.
3. Investigate irregularities noted regarding cash receipts and deposits.

Our methodology included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was

not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Pagedale Municipal Division of the Twenty First Judicial Circuit.

A petition audit of the city of Pagedale fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Carl Zilch, Jr.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY FIRST JUDICIAL CIRCUIT
CITY OF PAGEDALE
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Receipt Controls and Procedures
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At least \$1,088 in court monies appear to have been misappropriated, and additional amounts may also be missing as controls over municipal court receipts are lacking. The method of payments received is not reconciled to the composition of the deposits. Some receipt slips/one-write ledger entries do not indicate the method of payment or both cash and check are marked. In addition, cash refunds are given for overpayments so deposits are not made intact. Finally, the court records are not adequately maintained.

The municipal court uses a one-write receipt ledger to issue receipt slips for municipal court monies. The municipal court also maintains a computer system to maintain case files and record all monies received by the court. The municipal court collects approximately \$377,000 annually in fines and court costs. There were many indications that court records were poorly maintained, as well as numerous control weaknesses.

- A. While the method of payment (cash or money order) is normally recorded on the court's one-write receipt system neither the city nor court personnel reconcile the method of payments received to the composition of the deposits to ensure receipts were deposited intact. The lack of this comparison allowed unrecorded money orders to be substituted into deposits, receipt slips to be issued for less than received, and cash receipts to be misappropriated. For example, in September of 2007, the composition of receipts did not agree between the receipt slips issued and deposits for six of the eleven deposits and in the first two weeks of November 2006 the composition did not agree for two of eight deposits. Approximately \$388 of unrecorded money orders were included in these deposits and \$700 in money orders received were not recorded on the one-write (the court recorded less than actually received). It appears money orders were substituted for cash, which was misappropriated.

The unrecorded money orders were posted to the court computer system (REJIS). However, reports on daily receipts posted to REJIS are not generated, and as a result, receipts per REJIS are not reconciled to the one-write ledgers or monies deposited. A reconciliation of the receipt information posted to the computer system would have allowed the city to detect possible problems in the monies collected.

In addition, an analysis of fines, court costs, and bonds collected by the court indicated a decrease in the average amount collected for each case. For the year

ending September 2006, the court collected an average of approximately \$86 per case which decreased to \$78 per case for the year ending September 30, 2007.

By not providing adequate oversight, the city and municipal division placed court funds at risk, resulting in the misappropriation. The city should ensure court funds are properly accounted for by providing adequate oversight, reviewing the court's depositing methods and reconciling the method of payment and court computer records to deposits. A review of other months should be done to determine the total misappropriated.

- B. The method of payment (i.e., cash or money order) is not always recorded on the receipt slips/one-write ledger and in some instances both cash and money order were marked on the one-write ledger. In addition, the method of payment on some receipt slips did not agree to the method of payment noted on the one-write ledger. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits.
- C. Deposits are not made intact as some cash refunds are made for overpayments of fines and court costs paid by money order. For example, the November 1, 2006 deposit contained a \$85.50 money order; however, the receipt slip, case file, and computer system indicated \$84.50 was received. The Court Clerk indicated she sometimes gives small cash refunds for this type of overpayment. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be recorded and deposited intact daily and all refunds should be made by check.
- D. Municipal court records are not adequately maintained. Case file information is not always properly recorded. For example, receipt slip numbers listed on the case files were sometimes incomplete or did not agree to the original receipt slip. In addition, it appears the municipal court's computer system is not properly updated. Some warrant release fees received by the court were not entered into the computer system, other receipt information did not agree to the one-write ledger, and bond transactions are not properly posted. For example, the deposit on November 13, 2006 contained a receipt for \$440 and the court computer system indicated \$540 had been collected. Also, two case files could not be located.

An analysis of monies deposited by the municipal court from October 1, 2006 thru December 21, 2007 showed deposits made by the municipal court of \$366,100 compared to the REJIS receipt report which indicated monies received during this time period of \$396,700, a difference of \$30,600.

Without maintaining accurate records of the case files and court computer system, there is little assurance that cash receipts and disbursements have been properly

handled and recorded or that errors will be detected and corrected in a timely manner.

WE RECOMMEND the Municipal Court:

- A. Work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover the missing funds. Additionally, the city should provide adequate oversight of court receipts and deposits, by monitoring the court's depositing methods, reconcile the method of payments received to the composition of the total deposit to ensure receipts were deposited intact, and reconcile receipts per the computer system to amounts deposited to ensure all monies recorded are deposited.
- B. Ensure the method of payment is recorded on all receipt slips issued and the composition is reconciled to deposits. Any differences noted should be investigated.
- C. Ensure monies are deposited intact and checks are written to refund any overpayments.
- D. Ensure court records are accurately updated and maintained.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge indicated:

- A. *We plan on performing an internal investigation and will then contact the proper authorities. We have already started reconciling the composition of receipts to deposits.*
- B. *We have implemented this recommendation.*
- C. *It is the city's policy that no monies be refunded in cash. We will try to ensure this policy is followed properly in the future.*
- D. *We will implement this recommendation. We have started working on the reconciliation of January 2008 computer system receipts to deposits. We discovered fines paid with bonds were not entered as paid by bonds. We will start entering these correctly immediately.*

2. Accounting Controls

The municipal court does not prepare and reconcile monthly listings of open bonds to cash balances. Old outstanding checks are not properly followed-up on and resolved. In addition, receipts are not deposited timely and the accrued costs due to the court are not adequately monitored.

- A. A monthly listing of bond open items is not prepared and reconciled with the bond account. The City Bookkeeper maintains a monthly listing of bonds received and their disposition; however, no one prepares a list of total open bonds to reconcile to the balance of the bond account. At the end of each fiscal year, the city bookkeeper prepares a summary report of bond open items. The summary list for September 30, 2007, totaled \$35,938 while the bond account bank balance was only \$32,379, resulting in a \$3,559 shortage.

A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified shortages should be investigated and appropriate action taken.

- B. Procedures have not been established to resolve old outstanding checks for the bond account. The city bookkeeper maintains the bond account for the municipal court. According to the September 2007 bank reconciliation prepared by the city bookkeeper, 43 checks totaling \$1,793 have been outstanding for over a year for the bond account, with some of these checks dating back to 2002.

Old outstanding checks create an additional and unnecessary record keeping burden. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued, if possible. If a payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable period of time.

- C. Monies received are not always deposited on a timely basis. Deposits generally are made three times a week. For example, in September 2007 the municipal court made 11 deposits into the city's General Fund, with deposits ranging from \$530 to \$3,600. Cash included in these deposits totaled over \$14,800, ranging from \$422 to \$2,993. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.

- D. Procedures have not been established to adequately monitor accrued costs owed to the court. A listing of accrued costs is maintained in the Municipal Division's computer system; however, the Court Clerk was not aware this information was available or that a report could be generated. At our request, the municipal court contacted the computer system administrator and determined how to generate the report. As of December 12, 2007, the municipal court's accrued cost balance of fines and court costs was approximately \$110,000. The municipal court should periodically generate a list of accrued costs and review for accuracy and completeness.

A complete and accurate listing of accrued costs would allow the municipal court to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

WE RECOMMEND the Municipal Court:

- A. Work with the City to prepare monthly listings of bond open items and reconcile the listing with the balance in the bond account.
- B. Work with the City to establish routine procedures to investigate any checks that have been outstanding for a considerable period of time.
- C. Ensure deposits are made daily or when accumulated receipts exceed \$100.
- D. Establish procedures to monitor and collect accrued costs.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge indicated:

- A. *We are currently working on this recommendation. We have already found some items included on the listing as open that should have been closed. We will begin doing these reconciliations monthly.*
- B. *We have already started working on following up on the old outstanding checks.*
- C. *We will attempt to deposit more often; however, this is difficult with our limited staff. We will start monitoring the amount of monies on hand to try to deposit large amounts in a timely manner.*
- D. *We always make sure warrants are issued, but we will begin periodically reviewing the accrued cost list.*

3. Ticket Accountability

The Municipal Court and Police Department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but do not keep records of tickets issued. As tickets are issued by the Police Department they are given to the court for processing. The court employees enter the tickets into the computer system; however, they do not ensure that the numerical sequence of all tickets issued is accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured that all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the Municipal Division work with the Police Department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge indicated:

We will implement this recommendation.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY FIRST JUDICIAL CIRCUIT
CITY OF PAGEDALE
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Pagedale Municipal Division is within the twenty first Judicial Circuit, which consists of St. Louis County. The Honorable Carolyn C. Whittington serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At September 30, 2007, the municipal division employees were as follows:

Municipal Judge	Mark Kruger
Court Administrator	Fran Stevens
Court Clerk	Ladonna Gibbs *

* Resigned from this position in January 2008.

Financial and Caseload Information

	<u>Year Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$476,896	470,572
Number of cases filed	6,084	5,455



Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Festus Municipal Division

March 2008

Report No. 2008-15



auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Festus Municipal Division.

Fines and court costs due to the city's General Fund are not paid to the city treasury at least monthly, as required by state law, and some Crime Victims Compensation and Police Officers Standard Training and Commission Fund collections were not remitted to the state on a timely basis. In addition, monies received by the court are not deposited on a timely basis. Also, neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

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YELLOW SHEET

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Festus, Missouri

We have audited certain operations of the city of Festus Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended September 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions, such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent

person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Festus Municipal Division of the Twenty-Third Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Katie Twiehaus
Audit Staff:	Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF FESTUS
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Monthly Disbursements
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Fines and court costs due to the city's General Fund are not paid to the city treasury at least monthly as required by state law. In addition, some Crime Victims Compensation and Police Officers Standard Training and Commission Fund collections were not remitted to the state on a timely basis. Receipts collected from August 2007, totaling \$30,624, were not disbursed until October 22, 2007, and receipts collected in September 2007, totaling \$19,962, were disbursed on November 15, 2007.

Section 479.080, RSMo, requires the municipal division to disburse fines and court costs to the city treasury and to the state at least monthly.

WE RECOMMEND the city of Festus Municipal Division establish procedures to ensure all fines and court costs received are disbursed to the city and state on a monthly basis.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, and Finance Director indicated:

We realize the importance of distributing the fines and court costs and have implemented procedures to see that the funds are disbursed monthly.

2.	Court Controls and Procedures
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Receipts are not deposited on a timely basis. In addition, the Municipal Judge and city's Prosecuting Attorney do not initial or sign the case files indicating approval of case dispositions.

- A. Some monies received are not deposited on a timely basis. The Court Clerk normally accumulates several days of receipts before preparing the deposit to the fines and fees bank account and bond account. For example, the September 11, 2007, fines and fees deposit, totaling \$5,985, included monies received between August 29 and September 10, 2007, and the September 28, 2007, deposit, totaling \$7,075, included monies received between September 18 and September 25, 2007. In addition, the September 11, 2007, bond deposit, totaling \$4,788, included monies received between August 17 and September 9, 2007.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all receipts are accounted for properly, deposits should be made on a timely basis (preferably daily).

- B. The Municipal Judge does not always initial or sign the case file to indicate approval of the case disposition. In addition, the city's Prosecuting Attorney does not always initial or sign the case file to document approval of a ticket's amendment or dismissal. To ensure all cases have been properly processed, and the disposition of all cases has been properly authorized and documented, all amendments should be signed by the Prosecuting Attorney and all case dispositions should be signed by the Municipal Judge.

WE RECOMMEND the city of Festus Municipal Division:

- A. Deposit all monies on a timely basis (preferably daily).
- B. Require all amendments be signed by the city's Prosecuting Attorney and all case dispositions be signed by the Municipal Judge.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, and Finance Director indicated:

- A. *The court will now begin making their deposits at least three times per week.*
- B. *The Municipal Judge will now initial the case files to indicate approval of case dispositions and the Prosecuting Attorney will initial all amendments.*

3. Ticket Controls and Procedures
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Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and posts tickets issued to their computer system. The Court Clerk posts the tickets received from the police department to the court's system. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition for each ticket issued.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Festus Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, and Finance Director indicated:

The Court Clerk is working on a system to track ticket numbers by utilizing the summons logs. Any ticket not received and entered by the court will be checked to see if voided or if there is another reason for it not being received by the Court.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF FESTUS
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Festus Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At September 30, 2007, the municipal division employees were as follows:

Municipal Judge	Edward Page
Court Clerk	Laurie Summers
Finance Director	Pat Parsons

The current Assistant Court Clerk, Sherri Baynes, started in October 2007. The prior Assistant Court Clerk, Paige Laiben, resigned on September 14, 2007.

Edward Page has been the city's Municipal Judge since January 2006. The prior Municipal Judge was Tim Miller.

Financial and Caseload Information

	Year Ended September 30,	
	2007	2006
Receipts	\$ 280,014	292,263
Number of cases filed	3,277	3,545



Susan Montee, CPA
Missouri State Auditor

ADMINISTRATION

SAM II Vendor File and Related Processes



March 2008
Report No. 2008-14

auditor.mo.gov



Progress Has Been Made, but Additional Reviews Needed to Ensure Accurate Vendor File and Payment Reporting

This audit reviewed the SAM II vendor file and related processes. Auditors found Office of Administration (OA) officials have been doing an effective job overall of managing vendor records and Form 1099 reporting requirements. However, additional opportunities exist to enhance management of vendor records and reporting requirements.

Additional work needed to identify duplicate and unnecessary SAM II vendor records

We found progress has been made eliminating duplicate and unnecessary vendor records. The number of vendor records has decreased 54 percent from 2003 to 2008. However, potential duplicate vendor records still exist in the vendor file, increasing the risk of payments being made to incorrect vendors. (See page 7)

Form 1099 reportable expenditure types should be periodically reviewed

OA Accounting officials did not create Form 1099 returns for all calendar year 2006 reportable payments. An Accounting official said the criteria for Form 1099 reportable expenditure types has not been reviewed since July 2005. (See page 8)

Inactivity time frames for deleting vendors should be reviewed

Repeat work has been created for state employees, including OA Accounting staff, when vendor records need to be reissued because the records have been purged from SAM II. State employees must obtain a new vendor input form, verify the vendor's TIN, and process the vendor record in SAM II when a deleted vendor needs to be added back to SAM II. A review of vendor records deleted during the period January through August 2007 and then reissued within 90 days of the record's deletion date indicated 74 percent would not have been deleted if the purge process had been set at 24 months of inactivity instead of the current time frame of 14 months. (See page 8)

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Abbreviations

IRS	Internal Revenue Service
MAP	Missouri Accountability Portal
OA	Office of Administration
SAM II	Statewide Advantage for Missouri
SAO	State Auditor's Office
TIN	Tax identification number



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Larry Schepker, Commissioner
Office of Administration
Jefferson City, MO

The Office of Administration (OA) is responsible for maintaining the Statewide Advantage for Missouri (SAM II) accounting system, including the comprehensive vendor file. OA is also responsible for compiling and submitting Form 1099 returns to the Internal Revenue Service using information maintained in SAM II. OA has made SAM II payment information available on the Internet through the Missouri Accountability Portal (MAP) and the vendor payment online system. Our audit objectives included determining whether officials have established adequate (1) controls over the addition, change, and deletion of vendor information recorded in the vendor file, (2) procedures to ensure the accuracy of tax identification numbers and amounts reported by the state on Form 1099 returns and (3) controls to ensure the integrity of data and information available to the public on the MAP and to vendors on the vendor payment online system.

We found OA officials have been doing an overall effective job identifying duplicate and unnecessary records in the SAM II vendor file. However, improvements in vendor file maintenance can be made to reduce the risk of payments being made to incorrect vendors. We found vendors listed with the same address having multiple vendor numbers and vendors with the same name but different vendor numbers. We found OA has not reviewed the criteria for Form 1099 reportable expenditure types since July 2005. As a result, payments to corporations for legal services had not been reported on Form 1099 returns for calendar year 2006, as required by law. We also found additional work could be reduced by increasing the period of vendor inactivity before purging records from the vendor file.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel. Key contributors to this report included Jeff Thelen, Lori Melton, and Jeff Roberts.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Statewide Advantage for Missouri (SAM II) is the state's integrated financial management, human resource and payroll system providing accounting, budgeting, procurement, inventory and human resources management capabilities for state departments and agencies. There is one master vendor file used for SAM II. Vendor records are added to the file using one of two processes:

- Through the on-line bidding vendor registration system. Vendors may sign up on the state website to bid on state contracts. This process creates a vendor record in the vendor file. Office of Administration (OA) Division of Accounting (Accounting) staff review new vendor records to ensure the records are appropriate and to verify the provided tax identification number¹ (TIN) with the Internal Revenue Service (IRS).
- Through a signed vendor input form sent to OA Accounting by agency personnel. OA Accounting staff reviews information on the form to ensure the vendor has not already been set up in SAM II, verifies the TIN with the IRS, and adds the vendor to SAM II.

A vendor may have multiple locations referred to as alternate addresses and may require more than one SAM II vendor number. Records for vendors having alternate addresses have the same vendor number as the original vendor, except for the last two digits, which are the alternate address indicators. These vendors are related vendors and must all have the same TIN.

Records for inactive vendors are automatically deleted from SAM II in a monthly purge process. To be deleted, a vendor record must generally meet two requirements including (1) there has not been any activity in SAM II within 14 months and (2) there are not any open items such as bids or purchase orders in SAM II. OA Accounting staff may also add a code to the vendor record to override the 14 months of inactivity requirement. Vendor records having this code will be purged at the next monthly cycle, as long as there are no open items in SAM II.

¹ The TIN is the vendor's Social Security Number or Federal Employer Identification Number.

Form 1099 Reporting

OA Accounting is responsible for submitting Form 1099 returns² to the IRS for payments processed in SAM II. OA Accounting also processes Form 1099 returns for two types of payments not processed in SAM II: imputed payments made to Lottery retailers and United States Department of Agriculture disaster relief payments made through the state Department of Agriculture. Other reportable business transactions not recorded in SAM II are reported by the applicable state agencies.

Not all state payments are required to be reported on Form 1099 returns. OA Accounting officials determine the expenditure types the state reports. In general, a Form 1099 return is created for listed 1099-reportable expenditure types if the vendor is not tax-exempt and is not a corporation. Data fields are coded in the vendor file indicating if the vendor is tax-exempt or is a corporation. According to the IRS, a corporation should receive a Form 1099 return for certain reportable payments, such as medical payments. In these circumstances, OA Accounting must establish special processing.

Identification of Potential Duplicate Payments

Potential duplicate payments are identified through two edits³ in SAM II. When a transaction is entered, the SAM II system applies edits to identify if a vendor invoice number has been used more than once for the same vendor or has been used for related vendors. If one of these situations occurs, a message displays indicating a possible duplicate transaction. Both edits require special approval from an authorized SAM II user to override.

Missouri Accountability Portal

The state launched the Missouri Accountability Portal (MAP) in July 2007. This website provides data on state expenditures made through SAM II. The MAP allows viewers to search by agency, payment category, vendor name, or contract (name or number) and to specify the fiscal year of the payments. In October 2007, information on tax credits was made available. In January 2008, state employee payroll information was added to the website. Payroll information is available by agency, position title, and employee name. MAP information is updated at the close of each business day.

² According to the IRS website, a Form 1099 return is an information return businesses are required by law to file to report certain business transactions to the IRS. Examples of business transactions that must be reported are payments for services performed for a trade or business by people not treated as employees, proceeds paid to attorneys and prizes or awards that are not for services, such as winnings on TV or radio shows.

³ An edit, also known as a data validity check, is program code that tests the input for correct and reasonable conditions, such as account numbers falling within a range, numeric data being all digits, dates having a valid month, day and year, etc.

Vendor Payment Online System

OA officials provide a secure website for use by vendors to identify payments and the detail making up those payments. Once logged on, users can see address information for their related vendor numbers, payments to these vendors, and detail related to these payments. Users can only view SAM II information related to their vendor numbers; they cannot view information for other vendors.

Scope and Methodology

To determine whether officials have established adequate controls over the addition, change, and deletion of vendor information recorded in the SAM II vendor file, we conducted interviews with appropriate staff; requested and reviewed available policies and procedures; and performed testing.

We obtained the vendor file as of August 31, 2007, from SAM II. This file contained records of all vendors active in SAM II as of this date. The records include the name, address, TIN, tax-exempt status, incorporated status, and total current and prior calendar and fiscal year payments. The file included 141,852 vendor numbers. To ensure reliability and validity, we reconciled the total amounts reported paid to vendors in fiscal year 2007 to a detailed expenditure file. We reviewed the vendor file for invalid state abbreviations, invalid zip codes, vendors with no activity, vendors with no address or city, and vendors at the same address. Based on our analysis, we found no significant issues with invalid data in the fields tested. We also reviewed the file for vendors having multiple vendor numbers but listing the same address and vendors with the same name but different vendor numbers. We provided an OA Accounting official with a list of all vendors identified with these potential problems. We also obtained a file containing vendor history records as of September 10, 2007, from SAM II. We reviewed vendor records that had been deleted from the vendor file and subsequently reissued.

We obtained the employment records for all state employees for fiscal years 2001 through 2007 from SAM II for human resources. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered immaterial. We compared state employee records to vendors coded as state employees in the vendor file to determine if these vendors were state employees. Based on our analysis, we found no significant issues with state employee vendor records.

We obtained a file from SAM II of user accounts having access to SAM II as of October 30, 2007. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered immaterial. We reviewed the access of individuals with authority to add, delete or change vendor records to determine if these users have been restricted from adding and approving expenditure transactions. Based on our analysis, we

found no significant segregation of duty issues with the SAM II user accounts reviewed.

To determine whether officials have established adequate procedures to ensure the accuracy of TINs provided by vendors and the amounts reported by the state on Form 1099 returns, we conducted interviews with appropriate staff, reviewed IRS instructions for Form 1099 reporting, and performed testing.

We obtained the Form 1099 return files for calendar year 2006 from an OA Accounting official. These files contained the Form 1099 return records submitted to the IRS by OA. A total of over \$957 million was reported by OA on Form 1099 returns for payments made in calendar year 2006. We compared the Form 1099 return amounts to SAM II expenditure detail. We compared the vendors in the Form 1099 files to information from the vendor file. We discussed problems identified with an OA Accounting official.

We obtained the detailed expenditure data for fiscal years 2005 through 2007 from SAM II. We did not perform specific procedures to ensure reliability because the risk of unreliable results was considered immaterial. We matched this data to the SAM II vendor file and the Form 1099 files as necessary.

To determine whether officials have established adequate controls to ensure the integrity of data and information available to the public on the MAP and to vendors on the vendor payment online system, we conducted interviews with appropriate staff and performed testing. Based on our analyses, we found controls have been in place to ensure the integrity of data and information available on the MAP and the vendor payment online system.

We limited our review to the specific matters described above and based it on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Progress Has Been Made, but Additional Reviews Needed to Ensure Accurate Vendor File and Payment Reporting

OA officials have been doing an overall effective job managing vendor records and Form 1099 reporting requirements. However, duplicate and unnecessary vendor records still exist, increasing the risk of payments being made to wrong vendors. In addition, Form 1099 returns were not created for all 1099-reportable payments. These situations occurred because OA officials have not (1) been able to dedicate staff time to review vendor file records and (2) established a process to periodically review the criteria for Form 1099 reportable expenditure types. In addition, repeat work has been created for OA Accounting staff when vendor records need to be reissued because the records have been purged from SAM II.

Additional Work Needed to Identify Duplicate and Unnecessary SAM II Vendor Records

SAM II users relying on information in the vendor file have an increased risk of making a payment or processing information using the wrong vendor number. Although we did not find significant errors resulting from the use of a wrong vendor number, good business practices ensure processes are efficient and do not create extra, unnecessary work. Ensuring the vendor file contains accurate vendor information limits the work necessary to make payments or to process information for vendors.

OA Accounting staff review vendor records for potential problems, such as duplicate records, as time is available, according to an OA Accounting official. However, this official added there has not been sufficient time or personnel available to dedicate to this task. We found progress has been made eliminating duplicate and unnecessary vendor records. The number of vendor records has decreased 54 percent from 2003 to 2008. Table 2.1 shows the number of vendors at select dates from 2003 through 2008.

Table 2.1: Count of Vendors in the SAM II Vendor File

Date	Number of Vendors
January 8, 2008	133,665
January 5, 2007	156,864
January 6, 2006	156,236
January 27, 2005	197,112
January 12, 2004	198,734
January 28, 2003	287,706

Source: SAO analysis of historical SAM II vendor files

We reviewed vendor records in SAM II and found related vendors having the same address. We also found vendors that had the same name but different TINs. We tested 25 sets of related vendors and found 9 sets (36 percent) having at least one vendor record that was not needed. We discussed these vendors with OA Accounting officials and they agreed these records are not necessary and should be deleted. We also tested 25 sets of vendors with the same name and found at least 7 sets (28 percent) with at least one duplicate vendor record. We discussed these vendors with OA

Accounting officials and they agreed these records are duplicates and should be deleted. Both of these problems indicate the SAM II vendor file contains potentially duplicate and unnecessary vendor records.

Form 1099 Reportable Expenditure Types Should Be Periodically Reviewed

OA Accounting officials did not create Form 1099 returns for all calendar year 2006 reportable payments. Approximately \$2.7 million was paid for legal services to 131 incorporated vendors in calendar year 2006 for which a Form 1099 return was not created. Federal tax law exempts most payments to corporations from Form 1099 reporting. However, this exemption does not apply to payments for legal services, according to the IRS.

According to an OA Accounting official, the legal services payment issue has been added to the Form 1099 reporting process for calendar year 2007. An Accounting official said the criteria for Form 1099 reportable expenditure types has not been reviewed since July 2005. This official said the omission of the types of payments identified above are unintentional errors that had not been identified during the last review.

Inactivity Time Frames for Deleting Vendors Should Be Reviewed

Our analysis of vendor history records found that during the period January through August 2007, 676 SAM II vendor records have been deleted and then reissued within 90 days of the record's deletion date. State employees must obtain a new vendor input form, verify the vendor's TIN, and process the vendor record in SAM II when a deleted vendor needs to be added back to SAM II. An OA Accounting official said an analysis has not been performed to confirm whether 14 months of inactivity is an appropriate amount of time before deleting a vendor record. This official said the purge process is set at 14 months of inactivity to ensure at least one year of information is always available in SAM II. Since adding vendor records back to SAM II requires processing time for state employees, including OA staff, we reviewed the length of time the 676 vendors had been inactive prior to the deletion date. We compared the date of the last vendor payment prior to the deletion to the date of the deletion. Table 2.2 shows the count of vendors for the number of months of inactivity.

Table 2.2: Vendors Deleted and Reissued Within 90 Days

Number of Months Inactive¹	Count of Vendors	Cumulative Count	Percent of Total
14 and under	3	3	0
15	4	7	1
16	175	182	27
17	107	289	43
18	51	340	50
19	34	374	55
20	41	415	61
21	58	473	70
22	16	489	72
23	4	493	73
24	4	497	74
Over 24	15	512	76
No payments ²	164	676	100
Total	676	676	100

¹ Represents the number of months from the deletion of the vendor record to the last payment prior to the deletion.

² There were no payments to the vendor number in fiscal years 2007, 2006 or 2005.

Source: SAO analysis of SAM II vendor file history records and expenditure records

Results of the inactivity review indicate 497 (74 percent) of the vendor records reissued within 90 days of deletion would not have been deleted if the purge process had been set at 24 months of inactivity instead of the current time frame of 14 months.

Conclusions

OA Accounting officials and staff have made progress reducing duplicate and unnecessary SAM II vendor records. The number of vendors in the vendor file has decreased 54 percent from 2003 to 2008. However, additional opportunities exist to enhance management of vendor records and reporting requirements. Potential duplicate vendor records still exist in the vendor file, increasing the risk of payments being made to incorrect vendors. OA Accounting officials did not periodically review the Form 1099 reportable expenditure types to ensure Form 1099 returns are created for all reportable payments. Vendor records may be purged from SAM II after too short of an inactivity time frame. Extending this time frame could reduce the number of vendor records that need to be reissued after the records have been purged.

Recommendations

We recommend the Commissioner of the Office of Administration:

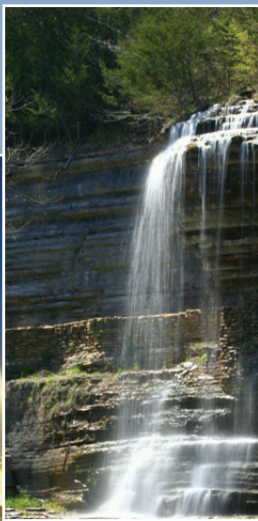
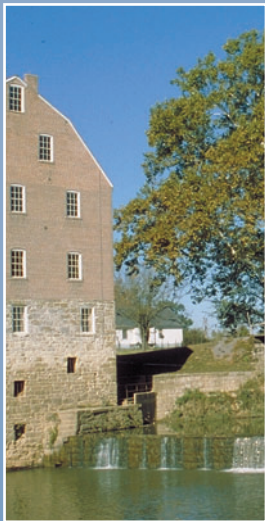
- 2.1 Continue to direct staff to verify the accuracy of and eliminate duplicate and unnecessary vendor records in the vendor file and dedicate staff, when available, to this process.
- 2.2 Continue to periodically review the Form 1099 reportable expenditure types to ensure accuracy and compliance with IRS regulations.
- 2.3 Review the vendor purge process inactivity time frame for reasonableness and modify the inactivity timeframe as necessary to reduce the time needed for employees to reissue vendor records.

Agency Comments

- 2.1 *We agree. Duties have been shifted among OA-Accounting staff to dedicate 1 additional FTE to vendor file duties.*
- 2.2 *We agree. We will continue to monitor the accuracy of the Form 1099s and compliance with IRS regulations with annual reviews conducted by OA-Accounting staff.*
- 2.3 *We agree. The January 2008 purge criteria was changed from 14 months to 22 months.*



MISSOURI



**Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2007**

On the Cover:

Top

Capitol Building, Jefferson City

Courtesy of the Jefferson City Convention and Visitors Bureau

Bottom (from left to right)

Bollinger Mill, Burfordville

Courtesy of the Missouri Division of Tourism

JC Nichols Memorial Fountain, Kansas City

Courtesy of the Missouri Division of Tourism

Dogwood Canyon Waterfall, Lampe

Courtesy of Shyra Grantham, Joplin

Gateway Arch, St. Louis

Courtesy of the Missouri Division of Tourism

Alley Mill, Eminence

Courtesy of Greg Matchick, St. Louis

This report can be viewed on the Internet at <http://www.oa.mo.gov/acct/cafrfy2007/index.htm>

STATE OF MISSOURI
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 2007



MATT BLUNT

Governor

MICHAEL N. KEATHLEY

Commissioner

Office of Administration

THOMAS J. SADOWSKI

Director

Division of Accounting

STATE OF MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007

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*The **Introductory Section** includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

Matt Blunt
Governor



Michael N. Keathley
Commissioner

State of Missouri
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E-MAIL: acctmail@mail.mo.gov

Thomas J. Sadowski
Director

February 28, 2008

The Honorable Matt Blunt
The Honorable Members of the Legislature
Citizens of the State of Missouri

In accordance with generally accepted accounting principles, I submit to you the Comprehensive Annual Financial Report of the State of Missouri for the fiscal year ended June 30, 2007. This report was prepared by the Office of Administration, Division of Accounting, whose management is responsible for its contents.

The report is prepared to show the financial position and operating results of the State. The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial activities have been included.

An annual audit of the basic financial statements is completed each year by the State of Missouri Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and her opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audit of State and Local Governments and Non-Profit Organizations."

A narrative introduction, overview, and analysis of the basic financial statements is presented in the *Management's Discussion and Analysis (MD&A)* section of this report. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Missouri was organized as a territory in 1812 and was the second state (after Louisiana) of the Louisiana Purchase to be admitted to the Union. Statehood was granted on August 12, 1821, making Missouri the 24th state. The State encompasses 68,945 square miles.

The State operates under three branches of government: executive, legislative, and judicial. The executive branch consists of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General. The legislative branch consists of 34 members of the Senate, and 163 members of the House of Representatives. The judicial branch is a three-tier court system: the Supreme Court, the State's highest court, has statewide jurisdiction; a court of appeals that consists of districts established by the General Assembly; and a system of circuit courts that has original jurisdiction over all cases and matters, civil and criminal.

The State provides a range of services in the areas of agriculture, education, health and social services, transportation systems, public safety, law enforcement, judicial systems, economic development, conservation and natural resources, labor relations, and general administration.

The State operates on a legally adopted budget in order to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the General Assembly and approved by the Governor prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process that original appropriations are requested. Budgetary control is maintained at the departmental level. Expenditures cannot exceed the appropriation amount at the individual appropriation level. Also, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

ECONOMIC CONDITION AND OUTLOOK

State Economy

Missouri's economy is highly diversified. This is indicative of a robust economy capable of supporting a variety of industries. As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. While the national economy has slowed in fiscal year 2007, it is expected to return to growth in fiscal year 2008.

Missouri's personal income, which directly impacts individual income tax and sales tax, rose at a 5.3% rate during calendar year 2006. Personal income trends indicate that Missouri can expect continued growth during fiscal year 2008. Along with higher personal income, Missourians also enjoy the seventh lowest cost of living in the United States.

Through the end of June 2007, exports by Missouri companies totaled \$6.9 billion, compared to \$6.0 billion after the second quarter of 2006. This is particularly good news for the State's businesses because Missouri set a record for exports in 2006 with \$12.8 billion in total global sales. These second quarter 2007 figures put the State on track to top that mark this year. The following graph represents the top 12 products that have been exported in 2007.



Source: Missouri Economic Research and Information Center

Long-Term Financial Planning

Missouri's funding priorities include education, health care, public safety, and economic development. Continued efforts within State government to provide more efficient and effective customer service while using fewer administrative resources will save money that can be used to improve various State services. Missouri also has a long-range plan to improve highways and bridges and is exploring options for funding the improvements through fuel tax revenues and sales taxes on motor vehicle sales.

In an effort to improve State services and provide more information to the citizens of Missouri, the State implemented a free, internet-based tool called the Missouri Accountability Portal (MAP). MAP provides citizens a single point of reference to learn more about how the State's money is being spent. The goal of the MAP site is to ensure that State government is accountable to Missourians by allowing them to track the use of their tax dollars.

In addition to information about state agency expenditures, the MAP site contains state employee pay information and the distribution of economic development tax credits. The data on the MAP site is updated at the end of each business day. The MAP site is one of the first comprehensive searchable databases of financial records based on real-time data in the nation.

Relevant Financial Policies

Article X of the Missouri Constitution imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total State revenues for each fiscal year and adjusted annually based on a formula which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by 1% or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than 1% of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment adopted by the people or if the General Assembly approves by a two-thirds vote an emergency declaration by the Governor. The State has refunded money to income taxpayers for fiscal years 1995 through 1999, but has not exceeded the revenue limit in fiscal years 2000 through 2007. The State does not expect the limit to be exceeded in fiscal year 2008.

Major Initiatives

Missouri will continue to focus on controlling increasing costs through various cost-effective alternatives and streamlining government functions.

Education. Funding for education remains a top priority for Missouri. The fiscal year 2008 budget includes a \$132.6 million increase for public education as part of the revision to the school funding formula; \$41.2 million increase for Missouri's public two and four year colleges and universities; \$20.4 million increase for State scholarship programs, which is in addition to the \$25 million in new funding for scholarships in the fiscal year 2007 supplemental budget, allowing additional students access to higher education and encouraging the State's top academic achievers to attend Missouri institutions. There was also a \$1 million increase for after school programs with an emphasis on math, science, and health and wellness.

Health. The quality of health care continues to be a priority for Missouri. Missouri HealthNet was established as a new way to provide health care for low income Missourians. Missouri HealthNet replaces the old Medicaid system and emphasizes personal wellness and prevention. It expands health care coverage to employed persons with disabilities, covers foster children until they are 21 years of age, and it allows more children to be eligible for health coverage under the State Children's Health Insurance Program.

Public Safety. Fewer Missourians lost their lives traveling on Missouri roads last year. With the Smooth Roads Initiative, Missouri Department of Transportation (MoDOT) has been repairing Missouri roads and highways so Missourians travel more safely, with less wear and tear on their vehicles and less time in traffic. MoDOT plans to improve 5,600 miles of major highways over the next five years.

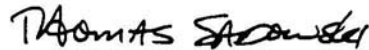
Environmental. Missouri's Energy and Green Power Initiative helped make Missouri among the first in the nation to enact a renewable fuel standard. Missouri launched a new project, that will save the taxpayers an estimated \$8 million, to create renewable energy and heat by using byproducts from local landfills. Methane gas from the landfill will be converted to electricity, and the heat created by conversion facilities will be used to heat water for the Jefferson City Correctional Center and the Algoa Correctional Center. The project uses resources that would otherwise have been wasted while at the same time producing benefits for the environment, the State, and local communities. The anticipated environmental benefit from the project is equivalent to removing more than 30,000 cars from Missouri roads, or planting nearly 40,000 trees annually.

ACKNOWLEDGEMENTS

While the Office of Administration, Division of Accounting, is responsible for the contents of this report, no one division could do it alone. Many people were involved in the compilation of materials necessary to complete the report.

We want to issue a special thanks to all the personnel at the State agencies who provided us with information quickly and accurately so that we could issue the CAFR in a timely manner. We also owe thanks to the professionalism and dedication demonstrated by technical and management personnel within the State Auditor's Office, the State Treasurer's Office, Office of Administration, Information Technology Services Division, and the State Printing Center. We are greatly appreciative to all.

Sincerely,

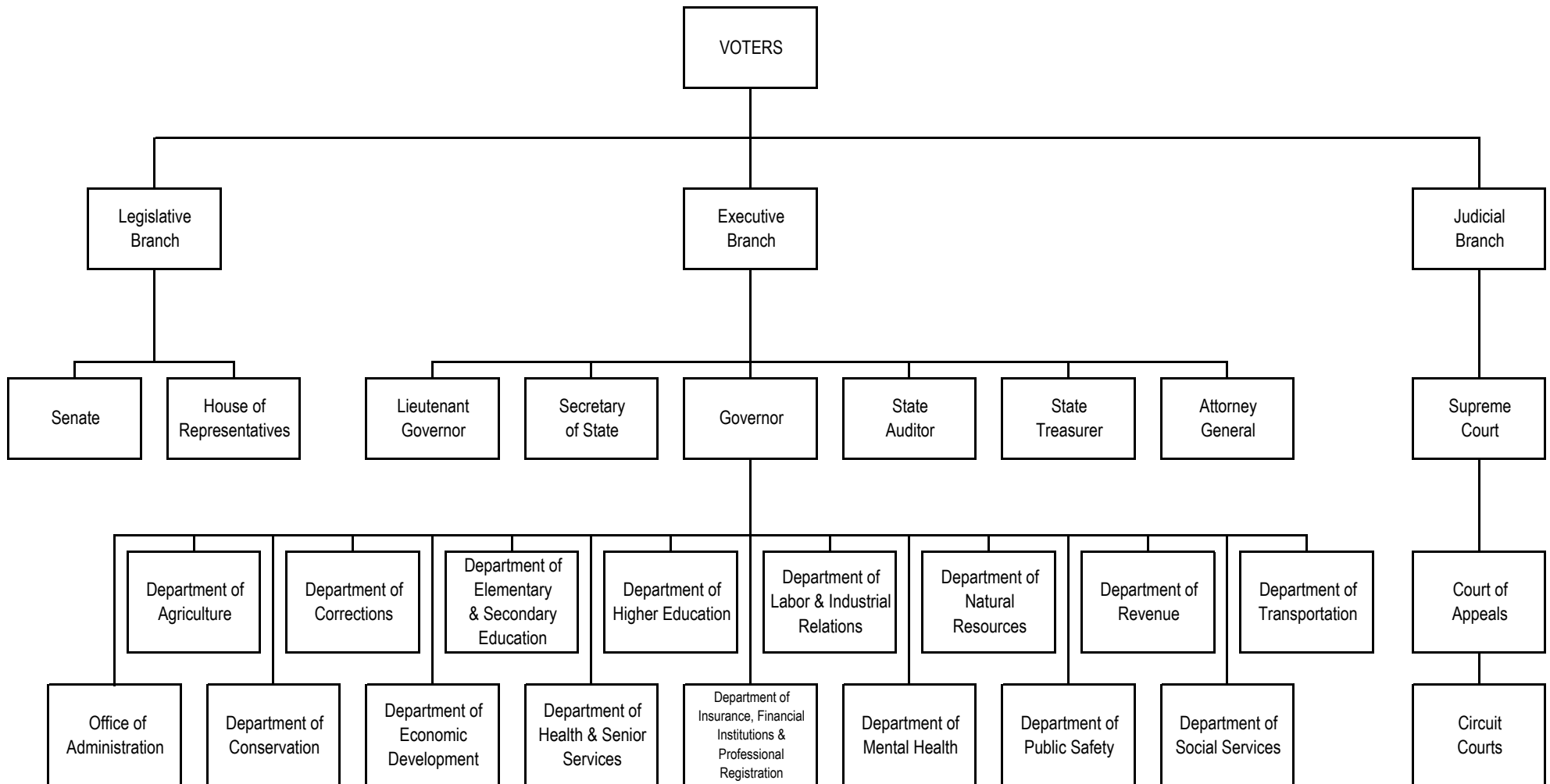
A handwritten signature in black ink that reads "Thomas Sadowski". The signature is written in a cursive, slightly stylized font.

Thomas Sadowski, CGFM, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2007



**STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2007**

EXECUTIVE

Matt Blunt
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Susan Montee, CPA
State Auditor

Sarah Steelman
State Treasurer

Jeremiah W. (Jay) Nixon
Attorney General

LEGISLATIVE

Michael Gibbons
President Pro Tem of the Senate

Rod Jetton
Speaker of the House of Representatives

JUDICIAL

Michael A. Wolff
Chief Justice of the Supreme Court



*The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information.*



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2007, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain entities that comprise the state of Missouri. Those financial statements, with the exception of the financial statements of the Deferred Compensation 401(a) and 457 Plans discussed in paragraph four, were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to these amounts, are based on the reports of the other auditors. Those entities were:

1. The Missouri Department of Transportation and blended transportation corporations identified in Note 1A., the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, and the Transportation Self-Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 42 percent and 60 percent of the assets and revenues, respectively, of the business-type activities.
3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 96 percent and 99 percent of the assets and additions, respectively, of the fiduciary funds.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan and the Missouri State Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The audits of the Deferred Compensation 401(a) and 457 Plans have not been completed. The Deferred Compensation 401(a) and 457 Plans' financial activities are included in the state of Missouri's basic financial statements as aggregate remaining fund information and represent 9 percent and 6 percent of the assets and additions, respectively, of the aggregate remaining fund information.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues are from this source. We were unable to satisfy ourselves by appropriate audit tests or other means as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the Deferred Compensation 401(a) and 457 Plans been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the state of Missouri, as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the state of Missouri, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, our report on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matters discussed in paragraphs four and five, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Susan Montee, CPA
State Auditor

February 28, 2008



The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State.

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's (the State's) financial activities for the fiscal year ended June 30, 2007. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

HIGHLIGHTS

Government-Wide:

- Assets of the State's governmental activities exceeded liabilities by \$28.6 billion; this resulted in an increase in net assets of \$418.8 million or 1.5% from the prior year. This increase can be attributed to more grants and contributions and more investment earnings due to an improved economy.
- Assets of the State's business activities exceeded liabilities by \$235.7 million, an increase in net assets of \$158.1 million or 203.8% from the prior year. This increase can be explained primarily by a significant decrease in liabilities due to the early repayment of a federal loan to the Unemployment Compensation Fund.

Fund-Level:

- Governmental fund assets exceeded liabilities by \$4.7 billion, an increase of \$771.6 million or 19.7% from the prior year. The increase was primarily due to an increase of \$993.4 million in assets of which \$671.2 million was investments. This was because of the continuing economic improvement which allowed for a higher return on investments, which in turn encouraged the State to invest more.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable increased \$732.3 million or 28.0% over the prior year. The outstanding bonds payable represents 46.0% of financial assets (cash, receivables, and investments) and 9.3% of total assets. The net increase in bonds payable resulted from decreases of \$173,875,000 due to bond payments, \$407,610,000 due to refunding, and \$1,070,000 due to defeasance as well as increases of \$1,314,870,000 due to issuances of State Road Bonds and Board of Public Building Bonds. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X or the Hancock Amendment. Excess revenue of 1% or more must be refunded to the taxpayers each year. During fiscal year 2007, the State did not exceed the revenue limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

Governmental Activities are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

Business-Type Activities are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, insurance coverage, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

Discretely Presented Component Units are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Missouri Agricultural and Small Business Development Authority, and Missouri Transportation Finance Corporation.

Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, transportation and law enforcement, and the Missouri road fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

In order for the user to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, a reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, and the operation of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. Non-major enterprise funds are also combined into a single column for aggregated presentation. All internal service funds are combined into a single column in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the general fund and major special revenue funds. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri road fund, non-major special revenue, debt service, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

The following table displays the current and prior year government-wide condensed Statement of Net Assets.

STATEMENT OF NET ASSETS						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006*
ASSETS:						
Current and Other Assets	\$ 6,970,219	\$ 5,987,957	\$ 431,593	\$ 518,703	\$ 7,401,812	\$ 6,506,660
Capital Assets, Net	28,433,666	28,009,035	40,772	39,669	28,474,438	28,048,704
<i>Total Assets</i>	35,403,885	33,996,992	472,365	558,372	35,876,250	34,555,364
LIABILITIES:						
Long-Term Liabilities	5,437,917	4,468,044	221,709	227,654	5,659,626	4,695,698
Other Liabilities	1,334,701	1,316,496	14,916	253,114	1,349,617	1,569,610
<i>Total Liabilities</i>	6,772,618	5,784,540	236,625	480,768	7,009,243	6,265,308
NET ASSETS:						
Invested in Capital Assets	25,547,427	25,840,886	40,772	39,669	25,588,199	25,880,555
Restricted	5,030,078	3,824,769	9,517	3,942	5,039,595	3,828,711
Unrestricted	(1,946,238)	(1,453,203)	185,451	33,993	(1,760,787)	(1,419,210)
<i>Total Net Assets</i>	\$ 28,631,267	\$ 28,212,452	\$ 235,740	\$ 77,604	\$ 28,867,007	\$ 28,290,056

*Fiscal year 2006 amounts have been restated.

The State's total net assets increased \$577.0 million or 2.0% during fiscal year 2007. This increase resulted primarily from an increase of \$895.2 million in current and other assets. Net assets invested in capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by \$918.5 million or 3.1%.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at 88.6% or \$25.6 billion. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.

Restricted net assets of the primary government totaled \$5.0 billion or 17.5% of total net assets, vs. 13.5% from the prior year. Net assets are restricted for several reasons including constitutional, legal, enabling legislation, or external requirements. Examples of restricted net assets include lottery proceeds restricted for public education, funds restricted for debt service, and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

Changes in Net Assets:

The following table displays the current and prior year government-wide condensed Statement of Activities.

STATEMENT OF ACTIVITIES						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006*
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,603,383	\$ 1,611,022	\$ 1,011,407	\$ 989,703	\$ 2,614,790	\$ 2,600,725
Operating Grants and Contributions	7,826,152	7,758,885	618,071	603,727	8,444,223	8,362,612
General Revenues:						
Sales and Use Taxes	2,931,035	3,047,305	---	---	2,931,035	3,047,305
Income Taxes	5,640,117	5,791,830	---	---	5,640,117	5,791,830
Unemployment and Other Taxes	1,446,615	1,615,335	---	---	1,446,615	1,615,335
Other Revenues	426,173	304,979	5,684	(2,154)	431,857	302,825
<i>Total Revenues</i>	<u>19,873,475</u>	<u>20,129,356</u>	<u>1,635,162</u>	<u>1,591,276</u>	<u>21,508,637</u>	<u>21,720,632</u>
EXPENSES:						
General Government	1,093,058	981,614	---	---	1,093,058	981,614
Education	6,042,584	5,773,048	---	---	6,042,584	5,773,048
Natural and Economic Resources	929,123	867,915	---	---	929,123	867,915
Transportation and Law Enforcement	2,303,411	2,025,341	---	---	2,303,411	2,025,341
Human Services	9,192,032	9,890,652	---	---	9,192,032	9,890,652
State Lottery	---	---	689,427	665,848	689,427	665,848
Unemployment Compensation	---	---	444,962	412,937	444,962	412,937
Petroleum Storage Tank	---	---	16,249	13,243	16,249	13,243
Veterans' Homes	---	---	53,233	46,664	53,233	46,664
All Other Expenses	151,139	130,438	16,468	20,764	167,607	151,202
<i>Total Expenses</i>	<u>19,711,347</u>	<u>19,669,008</u>	<u>1,220,339</u>	<u>1,159,456</u>	<u>20,931,686</u>	<u>20,828,464</u>
Increase (Decrease) in Net Assets before Contributions & Transfers						
Contributions & Transfers	162,128	460,348	414,823	431,820	576,951	892,168
<i>Transfers</i>	<u>256,687</u>	<u>258,773</u>	<u>(256,687)</u>	<u>(258,773)</u>	<u>---</u>	<u>---</u>
Change in Net Assets	418,815	719,121	158,136	173,047	576,951	892,168
<i>Net Assets - July 1</i>	<u>28,212,452</u>	<u>27,493,331</u>	<u>77,604</u>	<u>(95,443)</u>	<u>28,290,056</u>	<u>27,397,888</u>
<i>Net Assets - June 30</i>	<u>\$ 28,631,267</u>	<u>\$ 28,212,452</u>	<u>\$ 235,740</u>	<u>\$ 77,604</u>	<u>\$ 28,867,007</u>	<u>\$ 28,290,056</u>

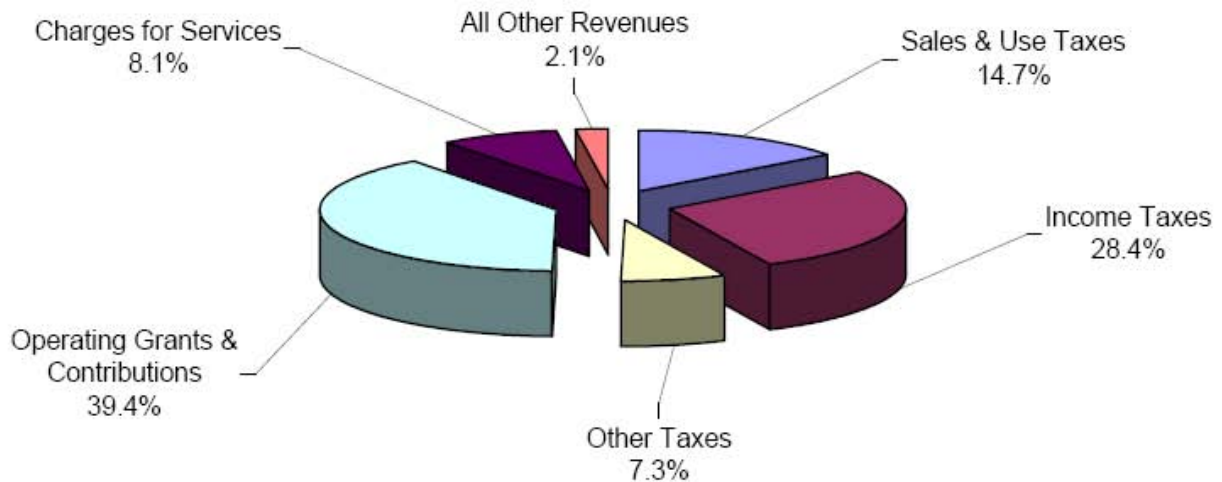
*Fiscal year 2006 amounts have been restated.

As shown on the above schedule, total revenue collections decreased by \$212.0 million or 1.0% during fiscal year 2007, while total expenses only increased by \$103.2 million. The decrease in revenue was due primarily to decreases in several types of taxes such as financial institution tax and managed care organization tax.

Governmental Activities:

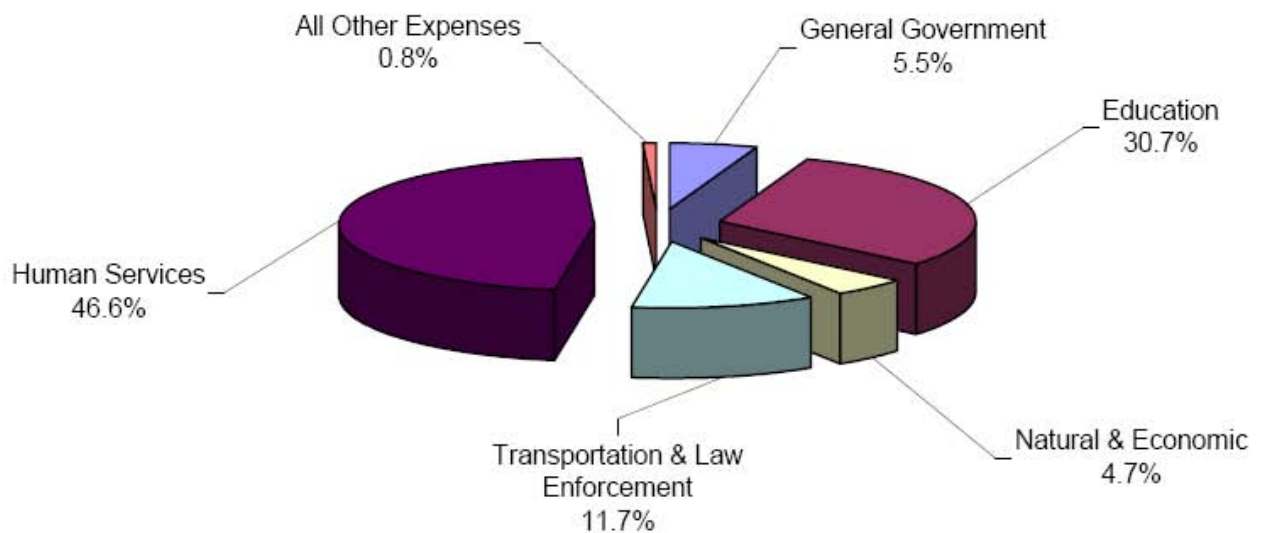
The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues by Source



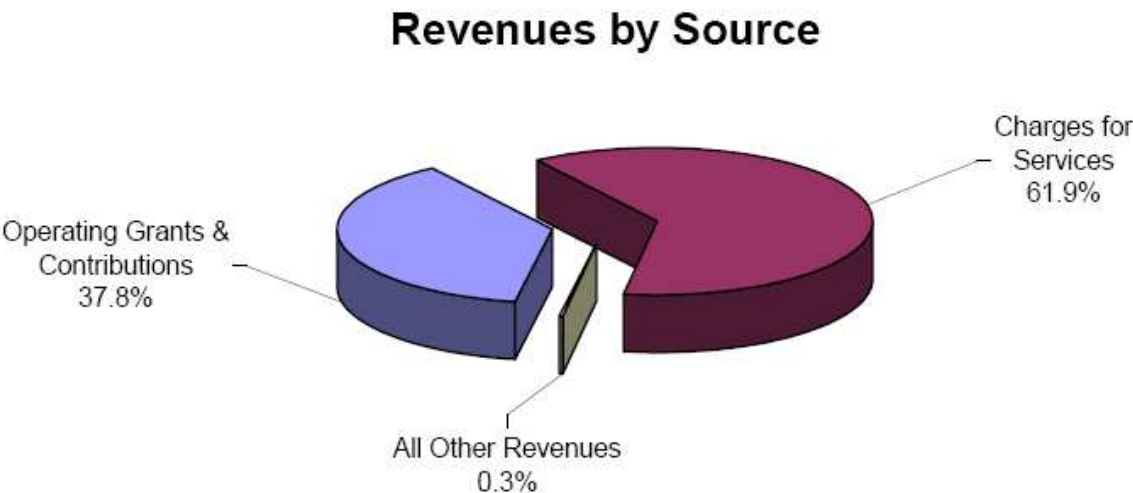
The following chart depicts expenses of the governmental activities for the fiscal year:

Expenses by Function

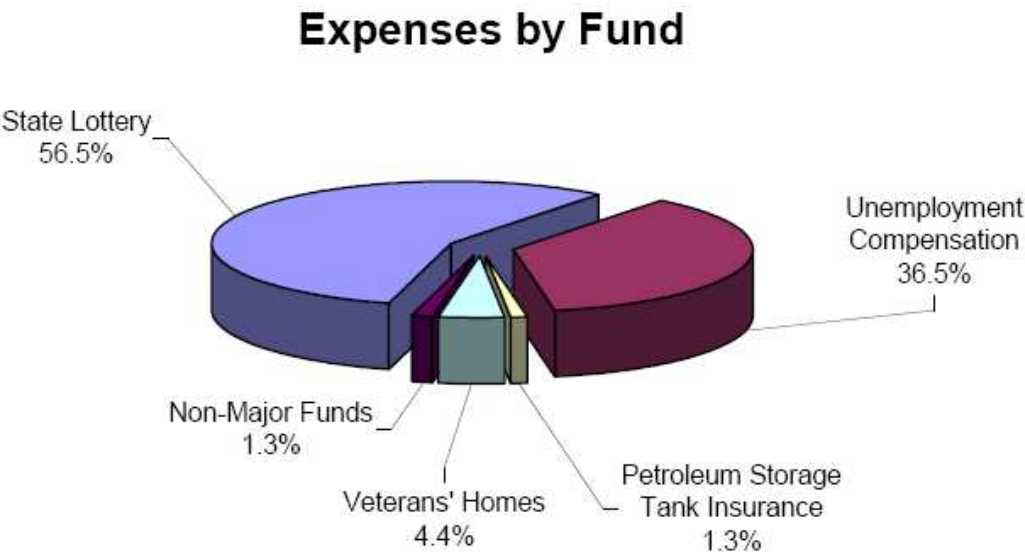


Business-Type Activities:

The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2007, the State's governmental funds reported combined ending fund balances of \$4.7 billion. Approximately 65.0% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non- Major	Total
Unreserved	\$ 1,312,352	\$ 304,695	\$ 374,801	\$ 209,088	\$ 521,165	\$ 321,487	\$ 3,043,588
Reserved	567,880	84	756,412	6,691	136,647	168,699	1,636,413
Total	\$ 1,880,232	\$ 304,779	\$ 1,131,213	\$ 215,779	\$ 657,812	\$ 490,186	\$ 4,680,001

The general fund is the chief operating fund of the State. At the end of fiscal year 2007, the State's general fund reported a total fund balance of \$1.9 billion. The net increase in fund balance during fiscal year 2007 was \$365.8 million. Expenditures of the general fund totaled \$12.2 billion in fiscal year 2007, a decrease of \$601.2 million from fiscal year 2006. The major contributing factor to this was a decrease in expenditures for human services of \$667.0 million from fiscal year 2006 to fiscal year 2007. The most significant decrease was public assistance payments which decreased \$328.8 million.

The public education fund category provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance increased by \$37.0 million. Revenues of the public education funds totaled \$1.3 billion in fiscal year 2007, an increase of \$8.4 million from fiscal year 2006. The major factor that contributed to this was an increase of \$20.4 million in the miscellaneous revenues for an increase in loan repayments.

The conservation and environmental protection fund category provides for the preservation of the State's wildlife and environment. The fund balance increased by \$58.5 million. The major contributing factor to this was an increase of \$13.2 million in federal receipts from the U.S. Environmental Protection Agency.

The transportation and law enforcement fund category provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance decreased by \$90.0 million. Revenues decreased \$231.2 million during fiscal year 2007. The major factor contributing to this was a decrease of \$104.4 million in motor vehicle fuel tax revenue relating to Amendment 3 of the State Constitution redirecting fees to the Missouri road fund.

The Missouri road fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance increased by \$383.4 million in fiscal year 2007. Revenues of the Missouri road fund increased during fiscal year 2007 by \$155.0 million primarily due to an increase of \$74.0 million in revenues from taxes. Out of this amount, \$59.3 million of the increase is from motor vehicle sales tax. The increase from motor vehicle sales taxes is the result of the redirecting of highway user fees from the general fund to the Missouri road fund set forth in Amendment 3.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law." This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses for petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of tanks in the country.

The State Lottery Fund's net assets increased by \$0.4 million. Revenues increased by \$22.0 million during the fiscal year which was partially offset by an increase in expenses for prizes paid. The increase in revenues was mainly due to a \$20.8 million increase in sales. The overall increase in sales was driven by a 7.1% increase in scratcher ticket sales due to an increase in prizes and the introduction of higher priced games.

The Unemployment Compensation Fund's net assets increased by \$143.8 million due primarily to an increase of \$18.0 million in contributions and intergovernmental receipts and a decrease in accounts payable of \$238.6 million due to the early repayment on a federal loan.

The Petroleum Storage Tank Insurance Fund's net assets increased by \$12.7 million. Revenues increased by \$2.0 million primarily due to an increase in investment earnings.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the first complete appropriated budget that is truly agreed to and finally passed, and signed by the Governor. The final budget includes emergency and supplemental appropriations, transfers, and increases to estimated appropriations.

Budgeted appropriations for fiscal year 2007 from the general fund were \$17.4 billion original budget and \$17.9 billion revised budget. Actual spending was \$16.7 billion. Reasons for the budget variances include:

- Federal grants received were lower than appropriation authority.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.
- Appropriation authority exceeded cash available for expenditures.

Budgeted revenues/transfers in for fiscal year 2007, for the general fund, was \$16.6 billion original budget and \$16.9 billion revised budget. Actual revenue/transfers in was \$17.0 billion. A reason for the budget variances is that revenue growth in fiscal year 2007 outpaced economic growth forecasts for the State. This was due to the continued resilience of both the national and state economics, despite the slowdown in the housing and manufacturing sectors. Consumers continued spending and businesses continued hiring and investing, despite higher energy costs and interest rates.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 92 for more information on budgetary variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2007, was \$28.5 billion (net of accumulated depreciation). This investment in capital assets includes construction in progress, infrastructure in progress, land, land improvements, buildings and improvements, equipment, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 625,021	\$ 4,076	\$ 629,097
Infrastructure in Progress	2,733,988	---	2,733,988
Land	2,649,194	6,953	2,656,147
Land Improvements	150,021	7,079	157,100
Buildings and Improvements	2,420,393	27,231	2,447,624
Equipment	1,157,354	46,119	1,203,473
Infrastructure	40,251,481	---	40,251,481
<i>Subtotal</i>	49,987,452	91,458	50,078,910
Less Accumulated Depreciation	(21,553,786)	(50,686)	(21,604,472)
<i>Total Capital Assets, Net</i>	<u>\$ 28,433,666</u>	<u>\$ 40,772</u>	<u>\$ 28,474,438</u>

Additional information on capital assets can be found in *Note 5* of this report.

Long-Term Debt:

At the end of fiscal year 2007, the State had total general obligation and other bonded debt outstanding of \$3.3 billion. Of this amount, \$684.5 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2007 were \$55,420,000 for general obligation bonds and \$527,135,000 for other bonds.

The State of Missouri is proud to be one of only six states to maintain a Triple-A credit rating from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

Outstanding Bonds Payable of the State include (in thousands):

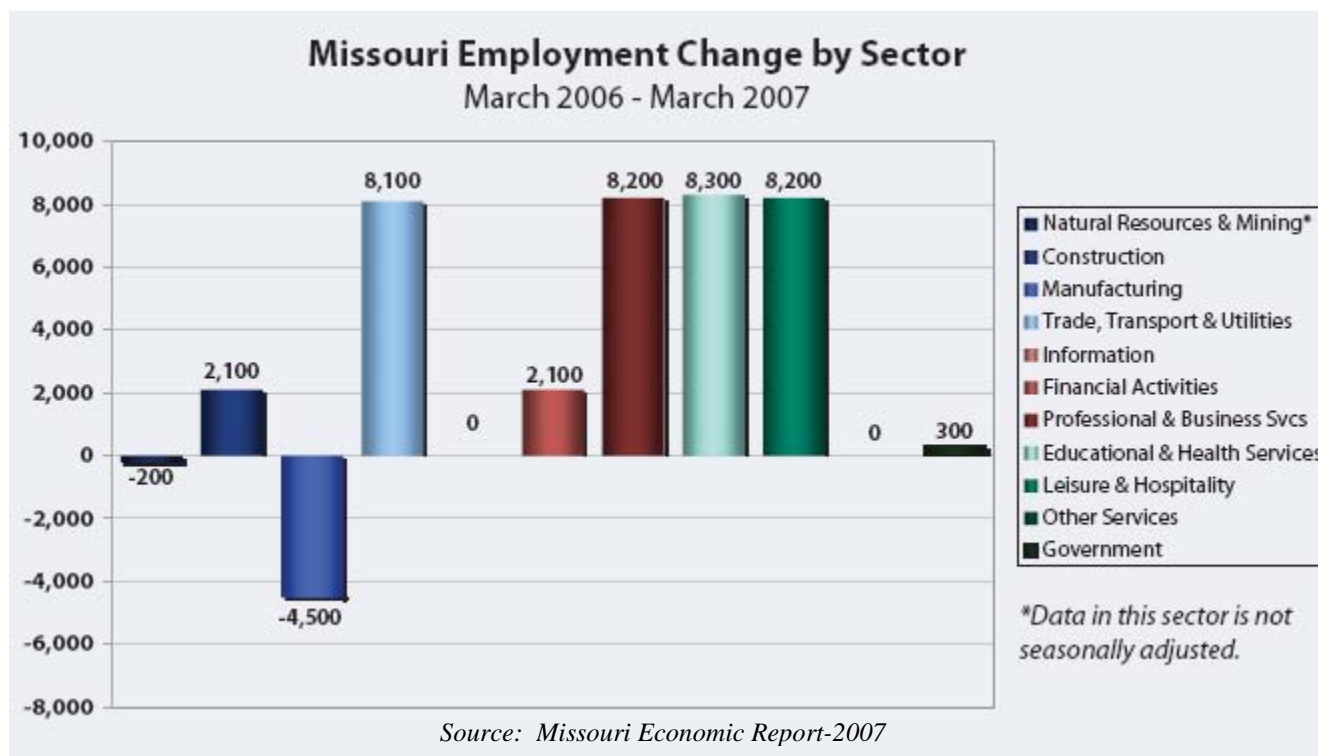
	Governmental Activities	Component Units	Total
General Obligation Bonds	\$ 684,515	\$ ---	\$ 684,515
Other Bonds	2,660,875	1,111,403	3,772,278
<i>Total</i>	<u>\$ 3,345,390</u>	<u>\$ 1,111,403</u>	<u>\$ 4,456,793</u>

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2007 with a balanced budget. Net general revenue collections increased 5.2% from fiscal year 2006 ending with an amount of \$7.7 billion. Also, consumer spending kept the economy growing at a steady pace. The approved budget for fiscal year 2008 anticipates an increase of 2.6% from fiscal year 2007.

Missouri's economic future remains positive as evidenced by economic indicators and statistics. Despite averaging slightly slower than the U.S., Missouri sustained a steady employment growth throughout 2005 and 2006. As of March 2007, Missouri employment growth over the year totaled 32,600 seasonally adjusted, an increase of 1.2% over the year. The graph below shows the growth and decline in employment by employment sector.



Over the last four years, the following industries have had above average employment growth: insurance carriers and related industries; computer systems design and most scientific and professional services; administrative and support services; private educational services; most health care industries; and most leisure and hospitality industries. Educational and health services industry had the largest increase in jobs mainly due to the increase in health care and social assistance. Growth within leisure and hospitality services was driven by a 7,500 increase in accommodations and food services. The strongest growth in professional and business services was in the administrative and support services sub sector, while growth in trade, transportation, and utilities was spread throughout the industry.

Despite a national decline in the housing market, Missouri experienced a growth in the construction industry. The State has not had the downturn in construction related to the housing bubble and meltdown of the sub-prime mortgage market. Missouri may not have speculatively overbuilt residential units to the same extent as other parts of the country. Heavy construction has continued unabated. However, there is still a risk that the troubles in the housing market could spill over to other parts of the economy.

Missouri's unemployment rate increased 0.1% in fiscal year 2007. At July 2007, the unemployment rate was 4.9% compared to the July 2006 unemployment rate of 4.8%. The national unemployment rate was 4.6% in July 2007.

In spite of continued growth, Missouri faces several funding challenges in areas such as education, health care, and transportation.

Funding remains a challenge for Missouri schools. A revision to the school funding formula was made in 2005 in response to a lawsuit filed by 257 of the 524 Missouri schools against the State in January of 2004 over both the equity in funding between schools and the overall adequacy of school funding. The revision in the school funding formula calls for \$800 million to be phased in by the 2012–2013 school year. However, an amended lawsuit was filed in November 2005 and went to trial in 2007. The judge ruled in favor of the State but an appeal is expected to the State's Supreme Court. In fiscal year 2008, funding for Missouri Public schools will increase by \$132.6 million due to a revision in the school funding formula. The fiscal year 2008 budget also included an additional \$1 million for after school programs.

More than five million Missourians have health insurance while 700,000 are yet to be covered. House Bill 818 is working towards building a comprehensive program to expand access to quality health insurance and reduce the number of Missourians who lack coverage. This bill will also provide a tax relief measure to help lower the cost of health insurance for families by allowing them to deduct costs for health insurance premiums from their adjusted gross income.

Funding for Missouri's transportation is expected to be short of the amount needed to improve and maintain Missouri's transportation system. The projected cost to maintain and improve the transportation system for the next 20 years is \$37 billion, while the expected available funding for the same time period is \$19 billion. Currently, the Missouri Department of Transportation (MoDOT) receives funding from state vehicle sales taxes, fuel taxes, and federal sources. However, the U.S. Department of Transportation has advised states that by October 2009 the National Highway Trust Fund will have a deficit balance. This could decrease the federal money received by the State by one-third. Higher fuel prices are another likely cause in the decrease in available funds. A trend has shown that motorists are driving less and purchasing more economical vehicles due to higher fuel prices, which means lower revenue from fuel and sales taxes for the State. MoDOT is continuing to work to control the cost of construction as well as to find alternative funding.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In fiscal year 2007, Missouri passed Senate Bill 389 which establishes the need-based Access Missouri scholarship for Missouri students. The bill also caps tuition increases and requires institutional performance measures. The Senior Tax Bill (House Bill 444) establishes a six-year phase out of taxes on Social Security or Public Pension benefits for those who are 62 years and older and whose total income is less than \$85,000 for single; \$100,000 for married couples. The Quality Jobs Act (House Bill 1 – Special Session) expands the Quality Jobs Program by raising the cap on available tax credits from \$12 million to \$40 million annually. The program allows for state income tax and financial institutions tax credits for qualified businesses that create a minimum number of new jobs paying at or above the county average in addition to offering health insurance and paying at least 50% of the employees' premiums. The Health Insurance Portability and Accountability Act (House Bill 818) provides for various health insurance changes including establishing a health savings account; a tax deduction and a tax credit for costs associated with obtaining health insurance; and health screenings for pregnant women. The bill also establishes a process for hospitals and other health care providers to intercept an individual's tax refund or lottery winnings to offset the individual's debt to the hospital or other health care provider. Missouri Continuing Health Improvement Act (Senate Bill 577) modifies the laws to the State's medical assistance program, thereby transforming the State's Medicaid program into the new Missouri HealthNet Program. The bill extends health care coverage to the working disabled, to people who meet income limits, to foster children up to age 21, and to children participating in the State Children's Health Insurance Program.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.



*The **Basic Financial Statements** include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Component Unit Financial Statements, and the accompanying notes to the statements.*

STATE OF MISSOURI
STATEMENT OF NET ASSETS
June 30, 2007
(In Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Note 3)	\$ 1,258,328	\$ 128,735	\$ 1,387,063	\$ 124,430
Investments (Note 3)	2,749,507	84,930	2,834,437	1,049,206
Receivables, Net (Note 14)	2,661,329	173,341	2,834,670	428,082
Internal Balances	18,414	(18,414)	---	---
Inventories	82,822	1,315	84,137	46,576
Deposits and Prepaid Expenses	136	73	209	23,306
Invested Securities Lending Collateral (Note 3)	---	---	---	138,014
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	93,491	---	93,491	405,241
Investments (Note 3)	67,485	61,498	128,983	952,606
Receivables, Net	---	---	---	16,495
Deferred Costs and Other Assets	38,707	---	38,707	21,895
Assets Held for Resale	---	115	115	---
Capital Assets (Note 5):				
Non-depreciable	6,008,203	11,029	6,019,232	418,609
Depreciable, Net	22,425,463	29,743	22,455,206	2,968,894
Total Assets	<u>35,403,885</u>	<u>472,365</u>	<u>35,876,250</u>	<u>6,593,354</u>
Liabilities				
Payables (Note 14)	1,157,939	14,306	1,172,245	441,945
Securities Lending Collateral (Note 3)	---	---	---	138,014
Unearned Revenue (Note 1)	80,986	610	81,596	88,575
Escheat/Unclaimed Property	95,776	---	95,776	---
Long-Term Liabilities (Note 11):				
Due within one year	577,153	60,880	638,033	84,543
Due in more than one year	4,860,764	160,829	5,021,593	1,189,476
Total Liabilities	<u>6,772,618</u>	<u>236,625</u>	<u>7,009,243</u>	<u>1,942,553</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	25,547,427	40,772	25,588,199	2,292,109
Restricted for:				
Budget Reserve	539,133	---	539,133	---
Debt Service	2,094,450	---	2,094,450	---
Grants	229,252	---	229,252	---
Enabling Legislation	1,120,424	2,964	1,123,388	---
Loans Receivable	755,395	---	755,395	---
Permanent Trusts:				
Expendable	88	---	88	---
Non-Expendable	65,431	---	65,431	---
College and Universities:				
Expendable	---	---	---	423,745
Non-Expendable	---	---	---	771,709
Other Purposes	225,905	6,553	232,458	80,698
Unrestricted	(1,946,238)	185,451	(1,760,787)	1,082,540
Total Net Assets	<u>\$ 28,631,267</u>	<u>\$ 235,740</u>	<u>\$ 28,867,007</u>	<u>\$ 4,650,801</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,093,058	\$ 669,547	\$ 84,113	\$ ---	\$ (339,398)	\$ ---	\$ (339,398)	\$ ---
Education	6,042,584	27,744	971,518	---	(5,043,322)	---	(5,043,322)	---
Natural and Economic Resources	929,123	129,156	327,404	---	(472,563)	---	(472,563)	---
Transportation and Law Enforcement	2,303,411	473,997	1,179,557	---	(649,857)	---	(649,857)	---
Human Services	9,192,032	301,864	5,263,560	---	(3,626,608)	---	(3,626,608)	---
Interest on Debt (Excluding Direct Expense)	151,139	1,075	---	---	(150,064)	---	(150,064)	---
Total Governmental Activities	19,711,347	1,603,383	7,826,152	---	(10,281,812)	---	(10,281,812)	---
Business-Type Activities:								
State Lottery	689,427	946,017	---	---	---	256,590	256,590	---
Unemployment Compensation	444,962	---	588,599	---	---	143,637	143,637	---
Petroleum Storage Tank Insurance	16,249	25,093	---	---	---	8,844	8,844	---
Missouri Veterans' Homes	53,233	24,934	27,021	---	---	(1,278)	(1,278)	---
Non-Major Funds	16,468	15,363	2,451	---	---	1,346	1,346	---
Total Business-Type Activities	1,220,339	1,011,407	618,071	---	---	409,139	409,139	---
Total Primary Government	\$ 20,931,686	\$ 2,614,790	\$ 8,444,223	\$ ---	(10,281,812)	409,139	(9,872,673)	---
Component Units:								
College and Universities	\$ 3,063,444	\$ 1,853,945	\$ 1,287,946	\$ 46,061	---	---	---	124,508
Non-Major Component Units	7,205	6,336	225	---	---	---	---	(644)
Total Component Units	\$ 3,070,649	\$ 1,860,281	\$ 1,288,171	\$ 46,061	---	---	---	123,864
General Revenues:								
Taxes:								
Sales and Use					2,931,035	---	2,931,035	---
Individual Income					5,143,461	---	5,143,461	---
Corporate Income					496,656	---	496,656	---
County Foreign Insurance					178,607	---	178,607	---
Alcoholic Beverage					28,090	---	28,090	---
Corporate Franchise					69,743	---	69,743	---
Inheritance					5,354	---	5,354	---
Miscellaneous Taxes					1,164,821	---	1,164,821	---
Grants and Contributions not Restricted to Specific Programs					197,959	---	197,959	---
Unrestricted Investment Earnings					228,214	5,684	233,898	234,412
Extraordinary Items					---	---	---	698
Transfers					256,687	(256,687)	---	---
Total General Revenues and Transfers					10,700,627	(251,003)	10,449,624	235,110
Change in Net Assets					418,815	158,136	576,951	358,974
Net Assets - Beginning					28,212,452	77,604	28,290,056	4,291,827
Net Assets - Ending					\$ 28,631,267	\$ 235,740	\$ 28,867,007	\$ 4,650,801

The notes to the financial statements are an integral part of this statement.



*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

See the General Fund Combining Statements presented as part of Supplementary Information for listings of all funds included in the General Fund.

Major Special Revenue Fund Categories:

Public Education – Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – Provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas. See the following pages for a listing of the individual funds that make up our Major Special Revenue Fund categories.

Major Capital Projects Fund:

Missouri Road Fund – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component units: Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and the Wentzville Parkway Transportation Corporation.

Non-Major Funds

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

Special Revenue – Public Education: Provides general and special education needs of the State and other related areas such as library services and student loans.

Marguerite Ross Barnett Scholarship – Accounts for moneys refunded from scholarships to be reissued.

School District Bond – Accounts for moneys to be used by the Missouri Health and Educational Facilities Authority for the issuance of school district bonds.

School Building Revolving – Accounts for moneys transferred from the Gaming Proceeds for Education Fund to be used for loans to school districts for specific capital improvement projects.

Gaming Proceeds for Education – Accounts for proceeds of taxes paid and interest earned from taxes paid on the gross receipts of excursion boat gambling to be used for education.

Outstanding Schools Trust – Accounts for moneys to be used to revise the mechanism which distributes basic state aid to schools and for various education programs.

Bingo Proceeds for Education – Accounts for fees and taxes collected relating to bingo to be used for education.

Lottery Proceeds – Accounts for the net proceeds from the State Lottery to be used for public institutions of elementary, secondary, and higher education.

Missouri Community College Job Training Program – Accounts for moneys to be used for the New Jobs Training Program administered by the Department of Economic Development.

Professional and Practical Nursing Student Loan and Nurse Loan Repayment – Moneys will be used to make student loans to nursing students and for the repayment of principal and interest for students who work in specified areas of nursing.

Video Instructional Development and Educational Opportunity – Accounts for sales tax revenues on rental of sound or picture transcriptions and used for instructional television programming.

Missouri Job Development – Accounts for moneys from any source and used for vocational training or retraining.

State School Money – Accounts for funds distributed to public school districts.

Department of Social Services Educational Improvement – Accounts for moneys from the Department of Elementary and Secondary Education, and is used for school foundation money for children placed in Division of Youth Services' custody.

State Seminary Money – Accounts for interest earnings to be spent for maintenance of the State university.

State Guaranty Student Loan – Accounts for funds from any source to assist students in financing their education.

Excellence in Education – Accounts for moneys to be spent for education programs.

Missouri Prospective Teachers Loan – Accounts for funds from any source to assist students in financing their education to become teachers.

Fair Share – Accounts for additional tax on cigarettes for distribution to schools.

School District Trust – Accounts for sales tax moneys to be distributed to the public school districts of the State.

GEAR UP Scholarship – Accounts for moneys to be used for awarding scholarships who meet the requirements of the GEAR UP for Education Program.

Classroom Trust – Accounts for moneys transferred to the Classroom Trust Fund under section 160.534, RSMo. The moneys shall be distributed by the State Board of Education to each school district in the State that is qualified to receive state aid. The moneys shall be spent at the discretion of the local school district.

Fire Education – To account for a percentage of premium taxes on insurance companies (148.310 to 148.461, RSMo) that was originally deposited in General Revenue. Forty percent of these moneys are to be transferred to the Missouri Fire Education Trust Fund. The rest will go to the University of Missouri Fire and Rescue to be used to provide training and continuing education to firefighters.

Library Networking – Accounts for bequests received to be used for library networking expenses.

Student Grant – Accounts for moneys used to provide financial aid to eligible students.

Academic Scholarship – Accounts for moneys to be used to provide scholarships based on academic ability.

U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Recall Account – Accounts for Federal recalled reserve funds. The Coordinating Board for Higher Education will transfer an amount equal to 20% of the total recalled reserve to this fund. These funds cannot be withdrawn without the U.S. Department of Education's written approval.

U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Interest Account – Accounts for moneys earned on and transferred from the U.S. Department of Education P.L. 105-33 Recall Account Fund. The moneys are used for the sole purpose of performing default reduction activities applicable to the Title IV student loan programs.

Advantage Missouri Trust – Accounts for moneys to provide loans and loan forgiveness programs.

Missouri College Guarantee – Accounts for moneys transferred from the Gaming Commission Fund to be used by the Coordinating Board of Higher Education for awarding scholarships to eligible students.

Early Childhood Development Education and Care – Accounts for moneys transferred from the Gaming Commission Fund to be used for programs that prepare children for kindergarten.

Kids Chance Scholarship – Accounts for moneys transferred from the Workers' Compensation Fund to be used for children of job injured workers.

Guaranty Agency Operating – Accounts for moneys transferred from the State Guaranty Student Loan Fund to be used for administrative purposes.

Federal Student Loan Reserve – Accounts for moneys to pay lender claims.

Secretary of State – Wolfner State Library – Accounts for moneys to be used to ensure library services to the eligible blind and physically handicapped residents of the State.

Special Revenue – Conservation and Environmental Protection: Provides for the preservation of the State's wildlife and environment.

Missouri Air Emission Reduction – Accounts for fees collected under the Emissions Inspections Program.

Natural Resources Protection – Accounts for moneys collected for examinations, applications, certifications, and inspections used for the purpose of protecting the air, water, and land resources of the State.

Natural Resources Protection – Water Pollution Permit Fee Subaccount – Accounts for moneys to be used for the protection of State water.

Solid Waste Management – Scrap Tire Subaccount – Accounts for moneys to be used for the protection of the State’s public health and safety in regards to the disposition of scrap tires.

Solid Waste Management – Accounts for moneys used to promote the development of markets for recovered materials and other activities to protect the environment.

Metallic Minerals Waste Management – Accounts for moneys collected from any forfeiture of a financial assurance instrument, civil penalties collected, and administrative penalties collected for the safe disposal of waste from metallic minerals.

Natural Resources Protection – Air Pollution Asbestos Fee Subaccount – Accounts for moneys to be used to administer requirements relating to asbestos abatement projects that protect public health and the environment.

Underground Storage Tank Regulation Program – Accounts for fees collected for registration of underground storage tanks and used for costs related to their regulation.

Chemical Emergency Preparedness – Accounts for moneys provided to the Missouri Response Commission and Department of Natural Resources for expenses of the commission.

Natural Resources Protection – Air Pollution Permit Fee Subaccount – Accounts for moneys to be used to protect the air, water, and land resources of the State.

Water and Wastewater Loan Revolving – Accounts for loans and loan repayments under the Wastewater Loan Program.

Conservation Commission – Accounts for fees and a special sales tax used to administer laws and regulations pertaining to forestry and wildlife resources.

Parks Sales Tax – Accounts for sales tax moneys spent to control, manage, and regulate state parks.

Soil and Water Sales Tax – Accounts for sales tax moneys used for the conservation and management of the soil and water resources of the State.

Water and Wastewater Loan – Accounts for moneys from any source received for wastewater construction loans.

Groundwater Protection – Accounts for fees collected for permits and is used for the administration and enforcement of water well drillers’ laws.

Energy Set-Aside Program – Accounts for moneys appropriated and any gifts, grants, and bequests. These moneys are loaned to public school districts to implement energy conservation projects.

State Land Survey Program – Accounts for fees collected from state recorders and used for land survey programs.

Petroleum Violation Escrow – Accounts for fines collected from petroleum companies for petroleum violations and is used for energy programs.

Hazardous Waste – Accounts for moneys from fees and permits and from any other source for hazardous waste management and cleanup.

Safe Drinking Water – Accounts for fees and grants from any source for the administration of safe drinking water laws.

Coal Mine Land Reclamation – Accounts for fees assessed on the amount of coal processed and is used to restore the land.

Hazardous Waste Remedial – Accounts for moneys from fees, penalties, and from any other source for administering hazardous waste services.

Missouri Air Pollution Control – Accounts for fees collected from automobile emissions inspection stations and is used for air pollution control programs.

Meramec-Onondaga State Parks – Accounts for proceeds from the sale of this land by the federal government and is used for the support and maintenance of these parks by the State.

Oil and Gas Remedial – Accounts for the proceeds from the sale of illegal oil products and used for costs of administering these laws.

Biodiesel Fuel Revolving – Accounts for moneys to be used to pay for incremental cost of biodiesel fuel for use in state vehicles, and for administration costs of the program.

Stormwater Loan Revolving – Accounts for the receipt of repayment for stormwater control project loans to be used for the construction of stormwater control projects.

Rural Water and Sewer Loan Revolving – Accounts for the receipt of repayment for rural water and sewer control project loans to be used for the construction of rural water and sewer loan projects.

Concentrated Animal Feeding Operation Indemnity – Accounts for moneys to be used to close concentrated animal feeding operation wastewater lagoons.

Missouri Alternative Fuel Vehicle Loan – Accounts for moneys to be used to issue loans to political subdivisions in order to purchase new vehicles capable of using alternative fuels.

Petroleum Violation Escrow Interest Subaccount – Accounts for interest earnings to be used for administrative costs of energy programs.

Missouri Lead Abatement Loan – Accounts for moneys to be used in carrying out lead abatement projects.

Dry-Cleaning Environmental Response Trust – Accounts for moneys received from surcharges, fees, gifts, bequests, donations, and moneys recovered by the State to be used to protect human health and natural resources.

Mined Land Reclamation – Accounts for fees, forfeiture of bonds, penalties, and gifts and used for the administration and enforcement of these laws.

Babler State Park – Accounts for assets donated, bequeathed, or devised to the State for the benefit of the Doctor Edmund A. Babler Memorial State Park used solely for the maintenance and development of this park.

Special Revenue – Transportation and Law Enforcement: Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Peace Officer Standards and Training Commission – Accounts for fees assessed as court costs to be used for training peace officers or other law enforcement employees.

Transportation Department Grade Crossing Safety Account – Accounts for moneys to be used to improve safety at the crossings of public roads with railroad tracks.

Highway Patrol Inspection – Accounts for fees collected for certificates of inspection and approval used by the State Highway Patrol for administration and enforcement of the various motor vehicle inspection programs.

Missouri State Water Patrol – Accounts for moneys collected under section 306.030, RSMo, which requires owners of vessels to file an application for a number with the Department of Revenue. The first \$2 million collected will be deposited in the State General Revenue Fund and anything in excess will be deposited in the Missouri State Water Patrol Fund. These moneys will be exclusively used for the Missouri State Water Patrol.

Firing Range Fee – Accounts for fees collected from law enforcement agencies for use of the firing range operated by the Department of Public Safety to be used for its operations.

Highway and Transportation Department – Accounts for fees paid by highway users to operate the Highway Commission and the Department of Transportation. Also used to administer and enforce state motor vehicle laws or traffic regulations.

Railroad Expense – Accounts for assessments used to administer and enforce railroad regulations.

Motor Fuel Tax – Accounts for motor fuel taxes to be distributed to other governments and to the Department of Transportation Funds.

Highway Patrol Academy – Accounts for fees charged for the training of peace officers and is used solely for the maintenance and operation of the Highway Patrol Academy.

State Transportation – Accounts for moneys from sales taxes and other sources to be used for state transportation purposes other than construction or maintenance of roads.

Highway Patrol's Motor Vehicle and Aircraft Revolving – Accounts for proceeds from government agencies to be used solely for the purchase of Highway Patrol vehicles or aircraft.

Highway Patrol Traffic Records – Accounts for copy fees received by the Highway Patrol for reports, photographs, and other data relating to investigated motor vehicle accidents.

Antiterrorism – Accounts for individual contributions received to be used for antiterrorism and emergency response activities undertaken by State and local law enforcement, fire protection, and public health agencies.

MoSMART – Accounts for moneys appropriated to or received by the Missouri Sheriff Methamphetamine Relief Task Force (MoSMART) to fund anti-methamphetamine enforcement and eliminate methamphetamine labs.

Missouri Public Safety Officer Medal of Valor – Accounts for moneys for members of the Medal of Valor Review Board.

DNA Profiling Analysis – Accounts for money collected from criminal cases in circuit courts for DNA profiling analysis of convicted offender samples.

Department of Revenue Specialty Plate – Accounts for moneys received by the Department of Revenue for the reviewing and development of specialty plates.

MoDOT Memorial Highway Sign – Accounts for deposits to designate the bridge or highway, with the fund being used to construct and maintain the sign.

Highway Patrol Expense Fund – Accounts for moneys advanced to employees for expenses, and moneys received for rewards, prizes, and gifts paid to Patrol member.

State Transportation Assistance Revolving – Accounts for moneys to be used for loans for the development of transportation of elderly or handicapped persons or the purchase of rolling stock for transit purposes.

Aviation Trust – Accounts for fuel taxes not refunded to the users of fuel used in aircraft engines. These moneys are used as matching funds for the preventive maintenance of runways, taxiways, aprons, and safety-related items.

**STATE OF MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007
(In Thousands of Dollars)**

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Totals June 30, 2007
ASSETS							
Cash and Cash Equivalents (Note 3)	\$ 384,302	\$ 48,184	\$ 97,984	\$ 22,467	\$ 430,615	\$ 95,331	\$ 1,078,883
Investments (Note 3)	1,439,625	185,204	257,334	53,424	189,285	405,395	2,530,267
Accounts Receivable, Net	1,415,658	120,009	42,977	142,012	66,460	28,332	1,815,448
Interest Receivable	23,657	1,881	4,591	1,127	4,887	3,678	39,821
Due from Other Funds (Note 15)	300	16,525	57	30	---	719	17,631
Due from Component Units (Note 15)	---	---	726	---	---	---	726
Inventories	24,017	84	824	4,823	40,365	208	70,321
Advance to Component Units (Note 15)	---	---	3,300	---	---	---	3,300
Loans Receivable	---	---	753,063	1,868	---	464	755,395
Restricted Assets:							
Cash and Cash Equivalents (Note 3)	---	---	---	---	20,114	---	20,114
Investments (Note 3)	---	---	---	---	67,185	---	67,185
Total Assets	<u>\$ 3,287,559</u>	<u>\$ 371,887</u>	<u>\$ 1,160,856</u>	<u>\$ 225,751</u>	<u>\$ 818,911</u>	<u>\$ 534,127</u>	<u>\$ 6,399,091</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 814,480	\$ 41,145	\$ 5,465	\$ 2,520	\$ 104,034	\$ 33,721	\$ 1,001,365
Accrued Payroll	57,680	419	5,002	5,435	17,200	3,278	89,014
Due to Other Funds (Note 15)	4,851	261	377	328	330	709	6,856
Deferred Revenue (Note 1)	434,501	25,283	18,799	1,689	27,377	6,233	513,882
Arbitrage Liability	39	---	---	---	---	---	39
Escheat/Unclaimed Property	95,776	---	---	---	---	---	95,776
Advance from Component Units (Note 15)	---	---	---	---	12,158	---	12,158
Total Liabilities	<u>1,407,327</u>	<u>67,108</u>	<u>29,643</u>	<u>9,972</u>	<u>161,099</u>	<u>43,941</u>	<u>1,719,090</u>
Fund Balances:							
Reserved for:							
Budget Reserve	539,133	---	---	---	---	---	539,133
Inventories	24,017	84	824	4,823	40,365	208	70,321
Forfeited Assets	788	---	2,525	---	---	---	3,313
Taxes	3,942	---	---	---	---	---	3,942
Debt Service	---	---	---	---	96,282	102,596	198,878
Loans Receivable	---	---	753,063	1,868	---	464	755,395
Trust Principal	---	---	---	---	---	65,431	65,431
Unreserved, Reported In:							
General Fund	1,312,352	---	---	---	---	---	1,312,352
Special Revenue Funds	---	304,695	374,801	209,088	---	300,501	1,189,085
Capital Projects Funds	---	---	---	---	521,165	20,898	542,063
Permanent Funds	---	---	---	---	---	88	88
Total Fund Balances	<u>1,880,232</u>	<u>304,779</u>	<u>1,131,213</u>	<u>215,779</u>	<u>657,812</u>	<u>490,186</u>	<u>4,680,001</u>
Total Liabilities and Fund Balances	<u>\$ 3,287,559</u>	<u>\$ 371,887</u>	<u>\$ 1,160,856</u>	<u>\$ 225,751</u>	<u>\$ 818,911</u>	<u>\$ 534,127</u>	<u>\$ 6,399,091</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007
(In Thousands of Dollars)

Total Fund Balances – Governmental Funds	\$	4,680,001
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not financial resources and they are not reported in the funds. These assets consist of (Note 5):

Construction in Progress	472,076	
Infrastructure in Progress	2,733,988	
Land	2,640,759	
Land Improvements	146,931	
Buildings and Improvements	2,124,410	
Equipment	1,071,343	
Infrastructure	40,251,481	
Accumulated Depreciation	<u>(21,324,727)</u>	
		28,116,261

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1).		458,915
---	--	---------

Long-term assets held for the State with a paying agent to make payments on bonds.		25,867
--	--	--------

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the Statement of Net Assets.		38,707
--	--	--------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):

Due to Other Entities	(30,633)	
General Obligation and Other Bonds Payable	(3,345,390)	
Obligation under Lease Purchases	(220,602)	
Compensated Absences	(167,438)	
Net Pension Obligation	(106,385)	
Contingent Liabilities	(1,194,945)	
Claims Liability	(85,543)	
Accrued Interest on Bonds	(34,593)	
Unamortized Bond Premium	<u>(159,986)</u>	
		(5,345,515)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Assets.		<u>657,031</u>
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Net Assets of Governmental Activities	\$	<u><u>28,631,267</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Totals June 30, 2007
Revenues:							
Taxes	\$ 7,684,586	\$ 1,147,795	\$ 187,657	\$ 665,036	\$ 213,697	\$ 137,731	\$ 10,036,502
Licenses, Fees, and Permits	75,376	6,790	57,262	143,792	122,070	169,478	574,768
Sales	12,007	5	8,697	11,475	---	2,789	34,973
Leases and Rentals	22	---	136	9	---	205	372
Services	229,982	---	---	---	---	191	230,173
Contributions and Intergovernmental	7,058,816	64,410	80,082	200	799,366	22,959	8,025,833
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	3,842	505	768	226	2,519	7,898	15,758
Interest	91,537	8,159	16,925	5,484	36,959	26,683	185,747
Penalties and Unclaimed Properties	43,807	1,163	1,148	398	---	16,632	63,148
Cost Reimbursement/ Miscellaneous	163,189	54,103	3,643	709	83,699	172,909	478,252
Total Revenues	<u>15,363,164</u>	<u>1,282,930</u>	<u>356,318</u>	<u>827,329</u>	<u>1,258,310</u>	<u>557,475</u>	<u>19,645,526</u>
Expenditures:							
Current:							
General Government	633,766	1,667	2,627	210,951	---	38,717	887,728
Education	1,813,918	4,217,479	16	2	---	6,645	6,038,060
Natural and Economic Resources	274,406	12,876	267,095	---	---	231,046	785,423
Transportation and Law Enforcement	337,673	153	692	160,389	809,276	41,364	1,349,547
Human Services	8,896,914	17,386	440	12	---	200,150	9,114,902
Capital Outlay:							
Current Expenditures	101,336	3,369	24,718	20,340	1,245,200	38,544	1,433,507
Capital Lease Purchases	4,132	---	94	3,212	2,161	---	9,599
Debt Service:							
Principal	43,450	---	881	172	96,631	56,078	197,212
Interest	45,268	---	286	80	85,452	34,384	165,470
Bond Issuance Costs	125	---	---	---	5,650	---	5,775
Underwriter's Discount	247	---	---	---	---	---	247
Total Expenditures	<u>12,151,235</u>	<u>4,252,930</u>	<u>296,849</u>	<u>395,158</u>	<u>2,244,370</u>	<u>646,928</u>	<u>19,987,470</u>
Excess Revenues (Expenditures)	<u>3,211,929</u>	<u>(2,970,000)</u>	<u>59,469</u>	<u>432,171</u>	<u>(986,060)</u>	<u>(89,453)</u>	<u>(341,944)</u>
Other Financing Sources (Uses):							
Proceeds from Capital Leases	4,132	---	94	3,212	1,356	---	8,794
Proceeds from Bonds	120,000	---	---	---	800,000	---	920,000
Issuance of Refunding Bonds	---	---	---	---	394,870	---	394,870
Escrow Agent	(1,069)	---	---	---	(432,408)	---	(433,477)
Bond Premium	3,919	---	---	---	73,180	---	77,099
Proceeds from Capital Asset Sale	---	---	---	---	8,675	---	8,675
Transfers In (Note 16)	48,059	3,014,314	664	315	523,757	187,704	3,774,813
Transfers Out (Note 16)	<u>(3,020,090)</u>	<u>(7,309)</u>	<u>(1,962)</u>	<u>(527,305)</u>	<u>---</u>	<u>(81,446)</u>	<u>(3,638,112)</u>
Total Other Financing Sources (Uses)	<u>(2,845,049)</u>	<u>3,007,005</u>	<u>(1,204)</u>	<u>(523,778)</u>	<u>1,369,430</u>	<u>106,258</u>	<u>1,112,662</u>
Net Change in Fund Balances	366,880	37,005	58,265	(91,607)	383,370	16,805	770,718
Fund Balances – Beginning (Note 17)	1,514,399	267,736	1,072,735	305,810	274,442	473,323	3,908,445
Increase (Decrease) in Reserve for Inventory	<u>(1,047)</u>	<u>38</u>	<u>213</u>	<u>1,576</u>	<u>---</u>	<u>58</u>	<u>838</u>
Fund Balances – Ending	<u>\$ 1,880,232</u>	<u>\$ 304,779</u>	<u>\$ 1,131,213</u>	<u>\$ 215,779</u>	<u>\$ 657,812</u>	<u>\$ 490,186</u>	<u>\$ 4,680,001</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES IN
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

Net Change in Fund Balances – Total Governmental Funds	\$	770,718
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Amounts reported for governmental activities in the Statement of Activities are different because:

Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase in Reserve for Inventories on the fund statement has been reclassified as a functional expense on the government-wide statement.		838
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays of \$1,365,387 is exceeded by depreciation of \$964,596 in the current period.		400,791
--	--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(12,556)
--	--	----------

Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Notes 11 and 12).

Bonds Issued	(1,314,870)	
Bond Premiums, Issuance, and Refunding Costs	(71,324)	
Bond Principal Payments	582,555	
Capital Leases Issued	(8,794)	
Capital Lease Payments	22,267	
		(790,166)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (Notes 11 and 12).

Amortization of Bond Premiums, Issuance, and Refunding Costs	15,356	
Increase in Restricted Cash	24,674	
Increase in Accrued Interest	(1,432)	
Decrease in Due to Other Entities	628	
Increase in Compensated Absences	(10,770)	
Increase in Contingent Liabilities	(101,215)	
Increase in Claims Liability	(64,337)	
Increase in Net Pension Obligation	(2,591)	
		(139,687)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue and expense of internal service funds are reported with governmental activities.		188,877
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Change in Net Assets of Governmental Activities	\$	418,815
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The notes to the financial statements are an integral part of this statement.



*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

Proprietary Fund Financial Statements

Major Funds

State Lottery – Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – Accounts for contributions and payments collected under the provisions of the “Unemployment Compensation Law” to pay benefits.

Petroleum Storage Tank Insurance – Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

Non-Major Funds

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007
(In Thousands of Dollars)

Business-Type Activities – Enterprise Funds						
	Major Funds				Totals	Governmental
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2007	Activities – Internal Service Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 20,314	\$ 91,012	\$ 14,799	\$ 2,610	\$ 128,735	\$ 179,445
Investments (Note 3)	10,912	---	63,110	10,908	84,930	219,240
Accounts Receivable, Net	34,832	132,271	3,981	526	171,610	45,691
Interest Receivable	247	---	878	133	1,258	946
Due from Other Funds (Note 15)	---	---	---	40	40	6,062
Inventories	---	---	---	1,315	1,315	12,501
Prepaid Items	51	---	---	22	73	136
Loans Receivable	---	---	---	473	473	---
Non-Current Assets:						
Restricted:						
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	47,510
Investments (Note 3)	61,498	---	---	---	61,498	300
Assets Held for Resale	---	---	---	115	115	---
Capital Assets (Note 5):						
Construction in Progress	305	---	---	3,771	4,076	152,945
Land	353	---	---	6,600	6,953	8,435
Land Improvements	---	---	---	7,079	7,079	3,090
Buildings	4,441	---	---	22,790	27,231	295,983
Equipment	12,485	---	208	33,426	46,119	86,011
Less Accumulated Depreciation (Note 5)	(14,173)	---	(193)	(36,320)	(50,686)	(229,059)
Total Capital Assets (Net of Accumulated Depreciation)	3,411	---	15	37,346	40,772	317,405
Total Assets	131,265	223,283	82,783	53,488	490,819	829,236
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,644	8,565	15	1,105	12,329	19,040
Accrued Payroll	291	---	15	1,671	1,977	1,728
Due to Other Funds (Note 15)	16,567	---	11	77	16,655	222
Unearned Revenue (Note 1)	---	---	527	83	610	26,019
Claims Liability (Note 11)	---	---	13,000	---	13,000	69,902
Grand Prize Winner Liability (Note 11)	45,273	---	---	---	45,273	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	1,559
Compensated Absences (Note 11)	578	---	59	1,970	2,607	3,135
Notes Payable (Note 11)	---	---	---	---	---	158
Non-Current Liabilities:						
Claims Liability (Note 11)	---	---	103,056	---	103,056	37,742
Grand Prize Winner Liability (Note 11)	57,698	---	---	---	57,698	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	9,548
Compensated Absences (Note 11)	31	---	---	44	75	1,204
Notes Payable (Note 11)	---	---	---	---	---	3,747
Total Liabilities	123,082	8,565	116,683	4,950	253,280	174,004
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,411	---	15	37,346	40,772	309,180
Restricted for:						
Revenue Bonds	---	---	---	---	---	46,990
Other Purposes	3,589	---	---	2,964	6,553	820
Unrestricted	1,183	214,718	(33,915)	8,228	190,214	298,242
Total Net Assets	\$ 8,183	\$ 214,718	\$ (33,900)	\$ 48,538	\$ 237,539	\$ 655,232
Total Net Assets Reported Above					\$ 237,539	
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds					(1,799)	
Net Assets of Business-Type Activities					\$ 235,740	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2007	
Operating Revenues:						
Employer Contributions	\$ ---	\$ 573,540	\$ ---	\$ ---	\$ 573,540	\$ 478,735
Employee Contributions	---	---	---	---	---	150,722
Medicare Part D Subsidy	---	---	---	---	---	8,111
Licenses, Fees, and Permits	---	---	25,091	7,494	32,585	27,106
Sales	934,271	---	---	5,755	940,026	29,694
Leases and Rentals	---	---	---	2,898	2,898	24,376
Charges for Services	---	---	---	24,677	24,677	93,752
Cost Reimbursement/Miscellaneous	1,396	---	2	282	1,680	11,668
Total Operating Revenues	935,667	573,540	25,093	41,106	1,575,406	824,164
Operating Expenses:						
Cost of Goods Sold	16,281	---	---	1,226	17,507	17,931
Personal Service	9,604	---	1,102	53,233	63,939	54,388
Operations	59,725	---	3,824	10,255	73,804	125,865
Prizes Expense	595,023	---	---	---	595,023	---
Inventories	---	---	---	1,490	1,490	1,138
Specific Programs	---	---	11,292	211	11,503	3,762
Insurance Benefits	---	---	---	---	---	549,854
Unemployment Benefits	---	444,962	---	---	444,962	---
Depreciation	750	---	11	2,773	3,534	18,150
Other Charges	8,166	---	26	523	8,715	3,094
Total Operating Expenses	689,549	444,962	16,255	69,711	1,220,477	774,182
Operating Income (Loss)	246,118	128,578	8,838	(28,605)	354,929	49,982
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	---	15,059	---	29,472	44,531	44
Interest Expense	---	---	---	---	---	(1,050)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(354)	---	174	30	(150)	1,828
Interest	1,455	114	3,721	544	5,834	16,740
Penalties and Unclaimed Properties	---	---	---	1	1	777
Disposal of Capital Assets	54	---	---	(41)	13	(115)
Miscellaneous Revenues	10,350	---	---	---	10,350	---
Total Non-Operating Revenues (Expenses)	11,505	15,173	3,895	30,006	60,579	18,224
Income (Loss) Before Transfers	257,623	143,751	12,733	1,401	415,508	68,206
Transfers In (Note 16)	---	---	---	534	534	120,052
Transfers Out (Note 16)	(257,201)	---	---	(20)	(257,221)	(66)
Change in Net Assets	422	143,751	12,733	1,915	158,821	188,192
Total Net Assets – Beginning (Note 17)	7,761	70,967	(46,633)	46,623	78,718	467,040
Total Net Assets – Ending	\$ 8,183	\$ 214,718	\$ (33,900)	\$ 48,538	\$ 237,539	\$ 655,232
Total Net Change in Net Assets Reported Above					\$ 158,821	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds					(685)	
Change in Net Assets of Business-Type Activities					\$ 158,136	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2007	
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 935,347	\$ 571,214	\$ 24,915	\$ 40,988	\$ 1,572,464	\$ 787,535
Payments to Suppliers	(75,850)	---	(3,816)	(12,262)	(91,928)	(145,107)
Payments to Employees	(9,543)	---	(1,096)	(52,539)	(63,178)	(52,722)
Payments Made for Program Expense	(600,631)	(683,571)	(12,165)	(211)	(1,296,578)	(547,244)
Other Receipts (Payments)	(6,770)	---	(24)	(241)	(7,035)	12,213
Net Cash Provided (Used) by Operating Activities	242,553	(112,357)	7,814	(24,265)	113,745	54,675
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	---	---	---	14	14	---
Due to/from Other Funds	(2,623)	---	2	(583)	(3,204)	13,845
Contributions and Intergovernmental	---	15,059	---	29,440	44,499	18
Transfers to/from Other Funds	(257,201)	---	---	514	(256,687)	119,986
Other Receipts (Expenses)	10,350	---	---	---	10,350	---
Net Cash Provided (Used) by Non-Capital Financing Activities	(249,474)	15,059	2	29,385	(205,028)	133,849
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	---	---	(1,050)
Purchases and Construction of Capital Assets	(1,092)	---	(2)	(3,560)	(4,654)	(31,992)
Bonds and Notes Payable	---	---	---	---	---	(142)
Capital Lease Downpayment/Obligations	---	---	---	---	---	(1,260)
Disposal of Capital Assets	54	---	---	---	54	---
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,038)	---	(2)	(3,560)	(4,600)	(34,444)
Cash Flows from Investing Activities:						
Proceeds from Investment Maturities	---	---	---	10	10	846,052
Purchase of Investments	4,956	---	(18,845)	(3,286)	(17,175)	(928,510)
Interest and Dividends Received	1,361	114	3,316	476	5,267	16,334
Other Receipts	---	---	---	1	1	777
Net Cash Provided (Used) by Investing Activities	6,317	114	(15,529)	(2,799)	(11,897)	(65,347)
Net Increase (Decrease) in Cash	(1,642)	(97,184)	(7,715)	(1,239)	(107,780)	88,733
Cash and Cash Equivalents, Beginning of Year	21,956	188,196	22,514	3,849	236,515	138,222
Cash and Cash Equivalents, End of Year	\$ 20,314	\$ 91,012	\$ 14,799	\$ 2,610	\$ 128,735	\$ 226,955
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 246,118	\$ 128,578	\$ 8,838	\$ (28,605)	\$ 354,929	\$ 49,982
Depreciation Expense	750	---	11	2,773	3,534	18,150
Changes in Assets and Liabilities:						
Accounts Receivable	1,076	(2,326)	(149)	175	(1,224)	(21,880)
Inventories	---	---	---	221	221	(1,650)
Prepaid Items	75	---	---	---	75	(6)
Accounts Payable	81	(238,609)	8	489	(238,031)	1,805
Accrued Payroll	22	---	1	202	225	419
Unearned Revenue	---	---	(27)	(11)	(38)	558
Grand Prize Winner Liability	(5,608)	---	---	---	(5,608)	---
Claims Liability	---	---	(873)	---	(873)	6,050
Compensated Absences	39	---	5	492	536	1,247
Net Cash Provided (Used) by Operating Activities	\$ 242,553	\$ (112,357)	\$ 7,814	\$ (24,264)	\$ 113,746	\$ 54,675

Non-Cash Financing Activities:

During fiscal year 2007, capital lease agreements were entered into for \$11,276,000 in the internal service funds.

The notes to the financial statements are an integral part of this statement.



*The **Fiduciary Funds** account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.*

Individual fund financial statements for pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds are presented as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	\$ 559,384	\$ 3,424	\$ 34,295
Investments at Fair Value: (Note 3)			
U.S. Government Securities	859,105	8,626	1,496
Repurchase Agreements	---	782	372,667
Stocks	1,807,790	---	48
Bonds	449,904	---	---
International Equities	1,505,270	---	---
Mutual and Index Funds	1,325,458	---	---
Venture Capital Limited Partnership	3,749,481	---	---
Other Investments	1,047,416	5,265	2,060
Receivables:			
Accounts Receivable	271,772	---	68,541
Interest Receivable	12,308	48	1,628
Inventories	---	1	---
Invested Securities Lending Collateral (Note 3)	1,049,095	---	---
Prepaid Expenses	45	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,003	---	---
Equipment	1,895	37	---
Accumulated Depreciation	(2,312)	(17)	---
Total Capital Assets, Net	<u>3,937</u>	<u>20</u>	<u>---</u>
Total Assets	<u>12,640,965</u>	<u>18,166</u>	<u>\$ 480,735</u>
LIABILITIES			
Accounts Payable	305,088	751	\$ 33
Accrued Payroll	---	20	---
Securities Lending Collateral (Note 3)	1,049,485	---	---
Due to Other Entities	---	---	444,644
Due to Individuals	---	---	36,058
Obligations under Lease Purchase	6	---	---
Compensated Absences	367	---	---
Total Liabilities	<u>1,354,946</u>	<u>771</u>	<u>\$ 480,735</u>
Net Assets Held in Trust for Benefits and Other Purposes	<u>\$ 11,286,019</u>	<u>\$ 17,395</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 419,392	\$ ---
Plan Member	62,465	---
Other	25,267	---
Investment Earnings:		
Increase in Appreciation of Assets	1,774,645	365
Securities Lending Income	63,546	---
Total Investment Earnings	<u>1,838,191</u>	<u>365</u>
Less Investment Expenses:		
Investment Activity Expense	(102,891)	---
Securities Lending Expense	(60,219)	---
Total Investment Expense	<u>(163,110)</u>	<u>---</u>
Net Investment Earnings	<u>1,675,081</u>	<u>365</u>
Cost Reimbursement/Miscellaneous	<u>579</u>	<u>11,012</u>
Total Additions	<u>2,182,784</u>	<u>11,377</u>
Deductions:		
Benefits	670,754	---
Administrative Expenses	9,130	1,984
Program Distributions	79,064	38,381
Service Transfer Payments	52	---
Depreciation	<u>278</u>	<u>5</u>
Total Deductions	<u>759,278</u>	<u>40,370</u>
Change in Net Assets	1,423,506	(28,993)
Net Assets held in Trust – Beginning of Year (Note 17)	<u>9,862,513</u>	<u>46,388</u>
Net Assets held in Trust – End of Year	<u>\$ 11,286,019</u>	<u>\$ 17,395</u>

The notes to the financial statements are an integral part of this statement.



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Component Unit Financial Statements

Major

College and Universities

Non-Major

Non-Major proprietary component unit statements are found in the combining fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2007
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 116,941	\$ 7,489	\$ 124,430
Investments (Note 3)	253,137	34,726	287,863
Receivables, Net	299,825	19,522	319,347
Invested Securities Lending Collateral (Note 3)	138,014	---	138,014
Inventories	46,576	---	46,576
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	376,749	---	376,749
Investments (Note 3)	100,502	---	100,502
Receivables, Net	10,289	---	10,289
Deposits and Prepaid Expenses	20,669	400	21,069
Deferred Costs and Other Assets	651	---	651
Non-Current Assets:			
Investments (Note 3)	761,343	---	761,343
Receivables, Net	89,095	7,482	96,577
Advance to Primary Government (Note 15)	---	12,158	12,158
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	1,816	26,676	28,492
Investments (Note 3)	778,550	73,554	852,104
Receivables, Net	6,206	---	6,206
Deposits and Prepaid Expenses	2,237	---	2,237
Deferred Costs and Other Assets	21,242	2	21,244
Capital Assets, Net of Accumulated Depreciation (Note 5)	3,325,091	62,412	3,387,503
Total Assets	<u>6,348,933</u>	<u>244,421</u>	<u>6,593,354</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	298,456	622	299,078
Due to Primary Government (Note 15)	---	726	726
Securities Lending Collateral (Note 3)	138,014	---	138,014
Unearned Revenue (Note 1)	86,413	---	86,413
Deposits	78,272	---	78,272
Claims Liability (Note 21)	31,242	---	31,242
Compensated Absences	16,678	---	16,678
Capital Lease Obligations (Note 6)	1,229	---	1,229
Bonds and Notes Payable (Note 12)	35,394	---	35,394
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	16,979	---	16,979
Advance from Primary Government (Note 15)	---	3,300	3,300
Unearned Revenue (Note 1)	2,162	---	2,162
Deposits and Reserves	259	43,331	43,590
Claims Liability (Note 21)	49,732	---	49,732
Compensated Absences	7,001	---	7,001
Capital Lease Obligations (Note 6)	19,696	---	19,696
Bonds and Notes Payable (Note 12)	1,081,197	31,850	1,113,047
Total Liabilities	<u>1,862,724</u>	<u>79,829</u>	<u>1,942,553</u>
NET ASSETS			
Invested in Capital Assets, Net	2,261,547	30,562	2,292,109
Restricted for:			
Expendable	423,745	---	423,745
Non-Expendable	771,709	---	771,709
Other Purposes	---	80,698	80,698
Unrestricted	1,029,208	53,332	1,082,540
Total Net Assets	<u>\$ 4,486,209</u>	<u>\$ 164,592</u>	<u>\$ 4,650,801</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS/STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2007	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	\$ ---	\$ 3,121	\$ 3,121	\$ ---	\$ 3,121
Student Tuition and Fees (Net of Scholarship Allow.)	671,855	---	671,855	---	671,855
Sales and Services of Educational Departments	41,324	---	41,324	---	41,324
Auxiliary Enterprises	1,029,611	---	1,029,611	---	1,029,611
Leases and Rentals	---	2,837	2,837	---	2,837
Cost Reimbursement/Miscellaneous	90,955	378	91,333	20,200	111,533
Total Charges for Services					1,860,281
Federal Appropriations, Grants, and Contracts	260,966	---	260,966	43,251	304,217
State Grants and Contracts	56,226	---	56,226	765,743	821,969
Private Gifts, Grants, and Contracts	64,036	---	64,036	69,230	133,266
Additions to Endowments	---	---	---	28,494	28,494
Contributions and Intergovernmental	---	---	---	225	225
Total Operating Grants and Contributions					1,288,171
Interest Revenue	731	1,345	2,076	(2,076)	---
Total Operating Revenues	2,215,704	7,681	2,223,385	925,067	
Expenses:					
Operating Expenses:					
Personal Service	1,905,114	1,012	1,906,126	---	1,906,126
Operations	---	2,115	2,115	---	2,115
Specific Programs	---	1,791	1,791	---	1,791
Scholarships and Fellowships	83,251	---	83,251	---	83,251
Utilities	26,501	---	26,501	---	26,501
Supplies and Other Services	770,260	---	770,260	---	770,260
Contracted Services	21,113	---	21,113	---	21,113
Interest Expense	---	---	---	46,410	46,410
Depreciation and Amortization	182,487	1,025	183,512	---	183,512
Bad Debt Expense	---	139	139	---	139
Miscellaneous	28,401	70	28,471	960	29,431
Total Operating Expenses	3,017,127	6,152	3,023,279	47,370	3,070,649
Operating Income (Loss)	(801,423)	1,529	(799,894)	877,697	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	43,251	---	43,251	(43,251)	---
State Appropriations, Grants, and Contracts	765,743	---	765,743	(765,743)	---
Private Gifts, Grants, and Contracts	69,230	---	69,230	(69,230)	---
Contributions and Intergovernmental	---	225	225	(225)	---
Investment Earnings:					
Increase in the Fair Value of Investments	---	1,658	1,658	---	1,658
Interest/Investment and Endowment Income	225,788	4,890	230,678	2,076	232,754
Interest and Bond Related Expenses	(45,412)	(998)	(46,410)	46,410	---
Gain (Loss) on Sale of Capital Assets	(905)	---	(905)	905	---
Miscellaneous Revenues	20,200	---	20,200	(20,200)	---
Miscellaneous Expenses	---	(55)	(55)	55	---
Total General Revenues					234,412
Total Non-Operating Revenues (Expenses)	1,077,895	5,720	1,083,615	(849,203)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	276,472	7,249	283,721	28,494	
State Capital Appropriations	46,061	---	46,061	---	46,061
Total Capital Grants and Contributions					46,061
Additions to Endowments	28,494	---	28,494	(28,494)	---
Extraordinary Items	698	---	698	---	698
Change in Net Assets	351,725	7,249	358,974	---	358,974
Net Assets – Beginning of Year (Note 17)	4,134,484	157,343	4,291,827	---	4,291,827
Net Assets – End of Year	\$ 4,486,209	\$ 164,592	\$ 4,650,801	\$ ---	\$ 4,650,801

The notes to the financial statements are an integral part of this statement.



The Notes to the Financial Statements provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 – *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 – *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Capital Projects Funds:

Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and Wentzville Parkway Transportation Corporation – these are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members determined by the Board and Commission from insurance members, the Business and Support Services Chief, the Human Resources Division Administrator, and the Internal Auditor. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65102

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Risk Management Division of the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The board consists of two members of the Senate, two members of the House, six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

MoDOT and MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees and one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, and one retired member elected by retirees of the system. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Missouri State Public Employees' Deferred Compensation Commission – The Commission offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under this Plan, employees are permitted to defer a portion of their current salary until future years. This Plan's fiscal year ends December 31, therefore, financial statements for its reporting period ending December 31, 2006, have been included in this report. In addition, the Commission offers eligible employees the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes \$25 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. The Commission consists of one member of the House of Representatives, one member of the Senate, and three other members appointed by the Governor with the advice and consent of the Senate. Copies of financial statements for both Plans may be requested from:

CitiStreet
One Heritage Drive
North Quincy, Massachusetts 02171

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Major

College and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
207 Young Hall
Jefferson City, Missouri 65101

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National, Room 119
Springfield, Missouri 65804

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3000
Cape Girardeau, Missouri 63701

Truman State University
McClain Hall, Room 105
Kirksville, Missouri 63501

University of Central Missouri
213 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
118 University Hall
Columbia, Missouri 65211-3020

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Non-Major

Missouri Development Finance Board – The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable and tax-exempt industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development, the Department of Natural Resources, and the Department of Agriculture, who serve as ex-officio voting members, and eight members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board
Governor Office Building
200 Madison Street, Suite 1000
Jefferson City, Missouri 65101

Missouri Agricultural and Small Business Development Authority – The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
105 West Capitol Avenue
Jefferson City, Missouri 65101

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

Public School Retirement System – provides retirement benefits to employees of public school districts except those in St. Louis and Kansas City.

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization, Inc. – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Highway 19 Missouri River Bridge Transportation Corporation – organized to acquire, construct, own, and operate highway projects and facilities.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

The difference between fund assets and liabilities is reported as "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on the governmental fund financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise fund categories, with each displayed in a separate column. All remaining governmental and enterprise fund categories are aggregated and reported as non-major funds. Internal service fund categories are also aggregated and reported in a separate column on the proprietary fund financial statements.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Fund Statement of Cash Flows are also reported under this definition. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3*).

E. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. All investments are reported at fair value (see *Note 3*).

There are multiple funds that have income from investments which are directed to the General Fund. These funds consist of special revenue, enterprise, internal service, private-purpose, and agency funds.

F. Interfund Receivables/Payables

The State makes various transactions between funds or between primary government and component units to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as “due from other funds” or “due from primary government/component units” on the Balance Sheet and Statements of Net Assets. Payables are classified as “due to other funds” or “due to primary government” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable/payable are in the same activity (Business-Type or Governmental). Any remaining interfund receivable/payable is reported as internal balances on the Government-Wide Statement of Net Assets.

G. Advances to/from Other Funds

Long-term interfund receivables are classified as “advances to other funds” or “advances to primary government/component units” on the Balance Sheet and Statements of Net Assets. Long-term interfund payables are classified as “advances from primary government/component units” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable/payable are in the same activity (Business-Type or Governmental). Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances in governmental funds. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average, weighted average, and first-in, first-out.

I. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories – An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. Capital Assets

Capital assets, which include construction in progress, infrastructure in progress, land, land improvements, buildings, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

The capitalization threshold for all capital assets is as follows: land improvements – \$15,000, buildings and improvements – \$15,000, and equipment – \$1,000. No dollar threshold is set for land or infrastructure.

Capital assets are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 years, and infrastructure 12 to 50 years. Construction in progress, infrastructure in progress, and land are not depreciated.

Most works of art and historical treasures are not capitalized or depreciated. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, and equipment – 5 years.

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include \$392,053,000 within the General Fund, \$44,928,000 within the major special revenue funds, \$15,701,000 within the Missouri Road Fund, and \$6,233,000 within non-major governmental funds which totals \$458,915,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions; are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues of \$42,448,000 within the General Fund, \$843,000 within major special revenue funds, and \$11,676,000 within the Missouri Road Fund.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$26,019,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is \$610,000 which includes \$527,000 within the Petroleum Storage Tank Insurance Fund, and \$83,000 within the non-major enterprise funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$88,575,000 within the college and universities which is the total unearned revenue amount for component units.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments, contractual obligations to other governments, and loans from other entities. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).
2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).
3. Outstanding principal for bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).
4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, and the Missouri Road Fund (see *Notes 6 and 11*).
6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 1 – Significant Accounting Policies (cont.)

M. Net Assets

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2007, net assets restricted by enabling legislation equaled \$1,120,424,000 for governmental activities and \$2,964,000 for business-type activities.

N. Revenues

The revenues of the General Fund include federal grants and contributions of \$7,041,549,000. Revenues for all funds are reported net of refunds of \$1,689,340,000.

O. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets, and service debt. Interfund transactions basically consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.
2. Transactions that reimburse another fund for an expense reduce expenses of the fund that is being reimbursed and increase expenses for the fund doing the reimbursement. Therefore, they are not shown on the face of the statements.
3. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers (see *Note 16*). These transactions are eliminated at the Government-Wide Statement of Activities if the transfer in and transfer out are in funds within the same activity (Business-Type and Governmental).

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of \$1,347,001,000 and \$403,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of \$341,003,000 and \$933,000, respectively.

Q. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component unit of social assistance.

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 2 – Reporting Changes and Classifications

GASB Statement No. 47, *Accounting for Termination Benefits*, gives employers assistance on how benefits should be accounted for when an employee is terminated, whether the termination is on a voluntary or involuntary basis. The requirements of this new declaration went into effect for the fiscal period after June 15, 2005 (with the exception of those provisions concerning additional postemployment benefits, which only take effect upon the execution of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*). However, this statement does not apply to the State of Missouri as the State does not pay for benefits of terminated employees that are not included in retirement or other postemployment benefits.

Note 3 – Deposits, Investments, and Securities Lending Program

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2007.

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2007, the bank balance of the primary government's deposits was \$975,860,000. Of the bank amount, \$16,926,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution, and \$278,000 was exposed to custodial credit risk by being uninsured and uncollateralized.

Fiduciary

At June 30, 2007, the bank balance of the deposits of the fiduciary funds was \$68,106,000. Of the bank amount, \$132,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution.

Component Units

At June 30, 2007, the bank balance of the deposits of the component units was \$248,796,000. Of the bank amount, \$16,795,000 was exposed to custodial credit risk, \$5,260,000 was insured and uncollateralized, and \$11,535,000 was uninsured and collateralized with securities held by the pledging financial institution.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. The internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2007.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

Primary Government

At June 30, 2007, the reported amount of the primary government's investments was \$3,536,844,000. Of this amount, \$10,695,000 was exposed to custodial credit risk, because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2007, the reported amount of the fiduciary funds investments was \$11,657,348,000. Of the amount, \$1,941,000 was exposed to custodial credit risk due to it being uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the State's name.

Component Units

At June 30, 2007, the reported amount of the component units investments was \$2,253,379,000 was exposed to custodial credit risk. Of this amount, \$282,848,000 was uninsured and unregistered with securities held by the counterparty while \$56,928,000 was insured and unregistered with securities held by the counterparty's trust department or agent, but not in the name of the investor.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Government						
Securities	\$ 1,062,580	\$ 985,384	\$ 12,780	\$ 8,688	\$ ---	\$ 2,069,432
Repurchase						
Agreements	347,797	---	---	---	---	347,797
Stocks	---	---	---	---	6,238	6,238
Bonds	348	2,289	497	---	308	3,442
Commercial Paper	1,109,675	---	---	---	---	1,109,675
Other	120	---	---	---	140	260
Subtotal	<u>2,520,520</u>	<u>987,673</u>	<u>13,277</u>	<u>8,688</u>	<u>6,686</u>	<u>3,536,844</u>
Fiduciary Funds:						
U.S. Government						
Securities	5,111	226,318	630,711	7,086	---	869,226
Repurchase						
Agreements	375,304	---	---	---	---	375,304
Stocks	---	---	---	---	1,807,838	1,807,838
Bonds	---	433,545	2,875	13,483	---	449,903
Commercial Paper	6,177	---	---	---	---	6,177
International						
Equities	1,505,270	---	---	---	---	1,505,270
Mortgages/ Real Estate	---	11,357	1,546	59,582	207,556	280,041
Short-Term						
Securities	601,625	---	---	---	---	601,625
Foreign						
Securities	---	---	---	---	119,070	119,070
Mutual Funds	---	---	---	---	1,332,032	1,332,032
Venture Capital						
Limited						
Partnership	---	---	---	---	3,749,481	3,749,481
Absolute Return	---	---	---	---	369,635	369,635
Tactical Fixed						
Income	---	---	---	---	80,385	80,385
Other	---	86,286	---	---	25,075	111,361
Subtotal	<u>2,493,487</u>	<u>757,506</u>	<u>635,132</u>	<u>80,151</u>	<u>7,691,072</u>	<u>11,657,348</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	Maturities in Years					Total Fair Value
	Less than 1	1–5	6–10	More than 10	No Maturity	
Component Units:						
U.S. Government Securities	345,409	390,074	43,165	43,105	45,724	867,477
Repurchase Agreements	5,433	---	---	---	---	5,433
Stocks	---	---	---	---	734,390	734,390
Bonds	23,933	136,016	13,282	30,549	13,475	217,255
Mortgages	---	---	---	---	5,336	5,336
Mutual Funds	2,060	---	---	---	19,845	21,905
Commercial Paper	238,333	---	---	---	---	238,333
Other	67,399	35,165	29,329	31,356	---	163,249
Subtotal	682,567	561,255	85,776	105,010	818,770	2,253,378
Total Investments	<u>\$ 5,696,574</u>	<u>\$ 2,306,434</u>	<u>\$ 734,185</u>	<u>\$ 193,849</u>	<u>\$ 8,516,528</u>	<u>\$ 17,447,570</u>

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements. During fiscal year 2007, the State did not have more than 5% of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fair Value
Primary Government/Fiduciary:			
Bonds	Aaa		\$ 2,624
	Aaa	AAA	1,810,006
		AAA	65,256
		AA	481,395
		A+	992
		A	268,920
		A-	1,469
		BBB+	2,145
		BBB	9,101
		BBB-	2,074
		BB+	1,567
		BB	52,589
		B	92,443
		CCC	31,815
		Unrated	7,329
		Treasury	436
	AA3		307
	Aa2		511

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	<u>Moody's</u>	<u>S & P</u>	<u>Fair Value</u>
Commercial Paper	Aa		1,980
	P-1	A-1 +	675,802
	P-1	A-1	199,319
		Tier 1	9,232
		Tier 2	316,596
	Unrated	Unrated	243,660
Asset-Backed Securities		AAA	405,939
		AA	4,225
		BBB	254
		Agency	3,220
Pooled Investments		Unrated	229,732
Repurchase Agreements	P-1	A-1 +	142,474
	P-1	A-1	22,012
	Unrated	Unrated	200
U.S. Government	Aaa	AAA	3,541
U.S. Agencies	Aaa	AAA	20,817
	Aaa		1,240
U.S. Security	Aaa		23,425
		AAA	17,690
	Aa		135,020
		Agency	196
	Unrated		1,857
	Unrated	Unrated	3,469
Stock		AAA	30,625
		AA1	6,238
		BBB	718
		CCC	8
Other		AAA	47,306
		AA	505
		A-	294
		BBB+	345
		BBB	1,017
		BB	24,172
		B	41,633
		CCC	9,979
		Agency	119,351
		Unrated	21,588
	Unrated		155
Subtotal			<u>5,596,813</u>
Component Units:			
Bonds and Notes	AAA	AAA	67,249
	AAA		19,569
		AA	6,021
	Aa		88,094
	A		69,221
	Baa		4,245
	Unrated		30,106
Mutual Fund		Unrated	2,091
Commercial Paper		A1 +	609
	Unrated		235,230

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	Moody's	S & P	Fair Value
U.S. Treasury Obligations	AAA	AAA	1,025
	AAA		59,213
U.S. Agency Obligations	AAA	AAA	24,795
	AAA	A1 +	17,779
	AAA		472,255
	Aa		125
	Unrated		36,871
U.S. Securities	AAA	AAA	44,358
		AAA	17,462
Stock	Unrated		734,390
Other	AAA		62,795
	Aa		136
	A		23,813
	Baa		1,748
	Unrated		72,865
Equity Securities	AAA	AAA	391
	Unrated	AAA	1,154
	Unrated	Unrated	7
Subtotal			2,093,617
Total Rated Investments			<u>\$ 7,690,430</u>

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The State Treasurer's Office does not have any deposits or investments in foreign currency, however, the Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. In addition to the amounts provided in the table, the colleges had \$97,223,000 in government obligations, \$13,123,000 in bonds and notes, \$151,161,000 in corporate stocks, and \$4,477,000 in cash and cash equivalents held in foreign currencies as of June 30, 2007.

Currency	Investment Type				Total
	Cash	Equities	Fixed Income	Alternatives	
Argentina Peso	\$ 3	\$ ---	\$ ---	\$ ---	\$ 3
Australian Dollar	101	29,501	---	---	29,602
Brazilian Real	92	26,822	---	---	26,914
British Pound Sterling	(49,924)	316,370	5,197	---	271,643
Canadian Dollar	106	12,336	---	---	12,442
Czech Koruna	(725)	2,435	---	---	1,710
Danish Krone	61	7,418	---	---	7,479
Euro	5,587	537,349	16,713	73,084	632,733
Hong Kong Dollar	164	88,886	---	---	89,050
Hungarian Forint	(877)	6,427	---	---	5,550
Indian Rupee	523	3,731	---	---	4,254
Indonesian Rupiah	(33)	1,307	---	---	1,274
Israeli New Shekel	---	1,717	---	---	1,717
Japanese Yen	181,904	357,370	---	---	539,274
Malaysian Ringgit	2	17,827	---	---	17,829
Maltise Lira	---	22	---	---	22

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

Currency	Investment Type				Total
	Cash	Equities	Fixed Income	Alternatives	
Mexican Peso	2	24,923	---	---	24,925
New Zealand Dollar	7	335	---	---	342
Norweign Krone	48	29,277	---	---	29,325
Peruvian Nuevo Sol	---	6	---	---	6
Philippine Peso	60	5,471	---	---	5,531
Polish Zloty	(777)	3,459	---	---	2,682
Russian Ruble	---	2,265	---	---	2,265
Singapore Dollar	278	81,691	---	---	81,969
South African Rand	---	5,148	---	---	5,148
South Korean Won	(19)	58,370	4,324	---	62,675
Sri Lanka Rupee	---	3	---	---	3
Swedish Krona	21	58,492	---	---	58,513
Swiss Franc	2,533	97,782	---	---	100,315
Taiwan Dollar	596	39,898	---	---	40,494
Thai Baht	90	16,605	---	---	16,695
Turkish Lira	(333)	6,238	---	---	5,905
Venezuelan Bolivar	107	---	---	---	107
Total	<u>\$ 139,597</u>	<u>\$ 1,839,481</u>	<u>\$ 26,234</u>	<u>\$ 73,084</u>	<u>\$ 2,078,396</u>

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2007, the State Treasurer's Office had an aggregate fair value of securities lent of \$729,309,000 and an aggregate fair value of collateral received of \$743,042,000.

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. On June 30, 2007, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

Credit Suisse/First Boston, New York Branch (CSFBNY) served as the agent for the fixed income domestic equity, and international equity securities lending programs. MOSERS reduces credit risk by allowing CSFBNY to lend these securities to a diverse group of dealers on behalf of MOSERS. CSFBNY provides indemnification against dealer default.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by CSFBNY. On June 30, 2007, the cash collateral fund had a market value of \$899,055,000 and a weighted average maturity of 31 days. At June 30, 2007 and 2006, MOSERS earned \$2,859,000 and \$3,677,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and 2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. The collateral held at June 30, 2007, was \$154,239,000 and the market value of securities on loan for the System was \$150,040,000.

At June 30, 2007 and 2006, the System earned \$468,000 and \$494,000, respectively, on the securities lending program.

University of Missouri System:

The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

The University continues to receive interest and dividends during the loan period as well as a fee from the borrower. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2007, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default. The University can pledge or sell cash and securities received as collateral absent a borrower default.

At June 30, 2007, letters of credit and security collateral, not meeting the criteria for inclusion on the Combined Statement of Net Assets, totaled \$11,607,000. At June 30, 2007, the aggregate fair value of the securities lent was \$138,014,000 and the aggregate fair value of the collateral received was \$144,351,000.

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2007. The investments are reported at fair value and are included on the Statement of Net Assets of the pension trust funds.

Futures Contracts:

<u>Notional Amount</u>	<u>Exposure</u>
\$10,051	\$(6)

Swaps:

<u>Notional Amount</u>	<u>Counterparty Exposure</u>
\$1,327,035	\$1,389

Note 4 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was \$93,000 as of June 30, 2007. This inventory is not considered to be an asset of the State and is not included in the financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows (in thousands of dollars):

	*Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 565,742	\$ 203,084	\$ (143,805)	\$ 625,021
Infrastructure in Progress	2,797,922	1,115,824	(1,179,758)	2,733,988
Land	2,558,398	95,741	(4,945)	2,649,194
Total Capital Assets not being Depreciated	5,922,062	1,414,649	(1,328,508)	6,008,203
Capital Assets being Depreciated:				
Land Improvements	148,797	1,517	(293)	150,021
Buildings and Improvements.....	2,380,742	59,036	(19,385)	2,420,393
Equipment.....	1,145,905	100,469	(89,020)	1,157,354
Infrastructure	39,108,601	1,179,759	(36,879)	40,251,481
Total Capital Assets being Depreciated.....	42,784,045	1,340,781	(145,577)	43,979,249
Less Accumulated Depreciation for:				
Land Improvements	(66,399)	(4,484)	143	(70,740)
Buildings and Improvements.....	(832,955)	(76,554)	8,752	(900,757)
Equipment.....	(786,795)	(97,835)	80,259	(804,371)
Infrastructure	(19,010,923)	(803,873)	36,878	(19,777,918)
Total Accumulated Depreciation	(20,697,072)	(982,746)	126,032	(21,553,786)
Total Capital Assets being Depreciated, Net	22,086,973	358,035	(19,545)	22,425,463
Governmental Activities Capital Assets, Net.....	<u>\$ 28,009,035</u>	<u>\$ 1,772,684</u>	<u>\$ (1,348,053)</u>	<u>\$ 28,433,666</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 4,639	\$ 880	\$ (1,443)	\$ 4,076
Land	6,453	500	---	6,953
Total Capital Assets not being Depreciated	11,092	1,380	(1,443)	11,029
Capital Assets being Depreciated:				
Land Improvements	6,846	298	(65)	7,079
Buildings and Improvements.....	26,600	631	---	27,231
Equipment.....	47,395	3,889	(5,165)	46,119
Total Capital Assets being Depreciated.....	80,841	4,818	(5,230)	80,429
Less Accumulated Depreciation for:				
Land Improvements	(3,080)	(247)	---	(3,327)
Buildings and Improvements.....	(12,449)	(769)	---	(13,218)
Equipment.....	(36,735)	(2,507)	5,101	(34,141)
Total Accumulated Depreciation	(52,264)	(3,523)	5,101	(50,686)
Total Capital Assets being Depreciated, Net	28,577	1,295	(129)	29,743
Business-Type Activities Capital Assets, Net.....	<u>\$ 39,669</u>	<u>\$ 2,675</u>	<u>\$ (1,572)</u>	<u>\$ 40,772</u>

*Beginning balances as of July 1, 2006 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 5 – Capital Assets (cont.)

Depreciation expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government.....	\$ 31,262
Education	3,272
Natural and Economic Resources	13,063
Transportation and Law Enforcement	868,744
Human Services	66,405
Total	<u>\$ 982,746</u>

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated:			
Construction in Progress.....	\$ 255,853	\$ ---	\$ 255,853
Land.....	133,344	9,271	142,615
Other Non-Depreciable Assets.....	20,141	---	20,141
Total Capital Assets not being Depreciated	<u>409,338</u>	<u>9,271</u>	<u>418,609</u>
Capital Assets being Depreciated:			
Land Improvements	19,353	---	19,353
Buildings and Improvements	3,602,360	57,198	3,659,558
Equipment, Fixtures, and Books	1,055,079	150	1,055,229
Infrastructure	333,627	---	333,627
Total Capital Assets being Depreciated	<u>5,010,419</u>	<u>57,348</u>	<u>5,067,767</u>
Less Total Accumulated Depreciation.....	<u>(2,094,666)</u>	<u>(4,207)</u>	<u>(2,098,873)</u>
Total Capital Assets being Depreciated, Net ...	<u>2,915,753</u>	<u>53,141</u>	<u>2,968,894</u>
Discretely Presented Component Units – Capital Assets, Net	<u>\$ 3,325,091</u>	<u>\$ 62,412</u>	<u>\$ 3,387,503</u>

Capital Asset Impairments

The net gain after insurance recovery of \$270,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Caruthersville Extension facility from tornado damage.

The net gain after insurance recovery of \$428,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Dawson Hall from fire damage.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 6 – Leases

Capital

The State has entered into various agreements to lease land, buildings and equipment. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease).

Capital leases for the internal service and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
2008	\$ 14,273	\$ 2,078	\$ 2,652
2009	13,584	2,018	2,583
2010	13,038	1,507	2,551
2011	12,357	786	2,512
2012	4,351	786	2,483
2013–2017	18,204	3,666	12,358
2018–2022	6,089	2,905	7,299
2023–2027	2,000	---	---
2028–2032	1,785	---	---
After 2033	29,600	---	---
Total Minimum Lease Payments	<u>115,281</u>	<u>13,746</u>	<u>32,438</u>
Less Amount Representing Interest	<u>(46,521)</u>	<u>(2,667)</u>	<u>(11,513)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 68,760</u>	<u>\$ 11,079</u>	<u>\$ 20,925</u>

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued \$28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing one building in Florissant, one building in St. Louis, and one building in Jennings. In May 2006, the Board issued \$9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. The payments on this lease are subject to annual appropriation by the State legislature.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 6 – Leases (cont.)

Following is a summary of the future minimum lease payments for the lease to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Internal Service Funds
2008	\$ 2,634	\$ 2
2009	2,622	2
2010	2,611	2
2011	2,599	2
2012	2,598	2
2013–2017	12,949	10
2018–2022	12,869	9
2023–2027	18,803	9
2028–2032	10,259	8
Total Minimum Lease Payments	67,944	46
Less Amount Representing Interest	(30,092)	(18)
Present Value of Net Minimum Lease Payments	<u>\$ 37,852</u>	<u>\$ 28</u>

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of \$120,490,000. The Refunding Certificates of Participation refunded \$13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, \$13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, \$9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and \$83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of \$4,700,000 for the Conservation Commission of the State of Missouri Project.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds
2008	\$ 13,776
2009	13,777
2010	13,771
2011	13,778
2012	13,833
2013–2017	59,361
2018–2020	16,922
Total Minimum Lease Payments	145,218
Less Amount Representing Interest	(31,228)
Present Value of Net Minimum Lease Payments	<u>\$ 113,990</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 6 – Leases (cont.)

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2007 (in thousands of dollars):

	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
Buildings	\$ 209,387	\$ 4,716	\$ 21,366
Equipment	<u>46,262</u>	<u>8,266</u>	<u>632</u>
	<u><u>\$ 255,649</u></u>	<u><u>\$ 12,982</u></u>	<u><u>\$ 21,998</u></u>

Operating

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2007, were as follows (in thousands of dollars):

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2008	\$ 54,864	\$ 3,308
2009	356	2,394
2010	222	1,444
2011	131	1,173
2012	109	907
2013–2017	556	3,031
2018–2022	566	---
2023–2027	578	---
After 2027	<u>590</u>	<u>---</u>
Total Minimum Commitments	<u><u>\$ 57,972</u></u>	<u><u>\$ 12,257</u></u>

Expenditures for rent under operating leases for the years ended June 30, 2007 and June 30, 2006 were \$39,888,000 and \$37,240,000, respectively.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 6 – Leases (cont.)

Rental Revenue

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. Future minimum receivables, payable from lessor arrangements as of June 30, 2007, were as follows (in thousands of dollars):

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2008	\$ 505	\$ 1,540
2009	445	1,540
2010	407	1,518
2011	341	1,515
2012	322	1,462
2013–2017	1,454	7,925
2018–2022	1,443	4,602
2023–2027	1,121	4,383
After 2027	<u>136</u>	<u>13,828</u>
Total Minimum Receivables	<u>\$ 6,174</u>	<u>\$ 38,313</u>

Note 7 – Retirement Systems

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included as the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with the Revised Statutes of Missouri Sections 104.010 and 104.312–104.1215, and 476.445–476.690, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000 (new plan). The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000. Members in the closed plan have the option at retirement to choose between the benefit structure of the closed plan or new plan. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

MOSERS provides retirement, death, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 55 with at
least 10 years of service with reduced benefits.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 57 with at
least 5 years of service with reduced benefits.

Judicial Plan

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less
than 12 years of service or age 60 with less
than 15 years of service with reduced benefit
that is based upon years of service relative to
12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with the Revised Statutes of Missouri Sections 104.010-104.1093.

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, death, and disability benefits to its members. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:

Age 65 and active with 4 or more years
of service

Age 65 with 5 or more years of service

Age 60 with 15 or more years of service

Age 48 with sum of age and service

equaling 80 or more (Rule of 80)

Uniformed patrol members:

Age 55 and active with 4 or more years
of service

Age 55 with 5 or more years of service

Age 48 with sum of age and service

equaling 80 or more (Rule of 80)

Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:

Age 62 with 5 years of service

Age 48 with sum of age and service

equaling 80 or more (Rule of 80)

Uniformed patrol members:

Age 48 with sum of age and service

equaling 80 or more (Rule of 80)

Mandatory retirement at age 60 with

5 years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Requirement

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.78% and 58.48%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 44.28% for uniformed members of the Highway Patrol and 31.10% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Annual required contribution	\$ 239,488	\$ 23,746	\$ 121,264
Interest on net pension obligation	5,224	3,598	---
Actuarial adjustment to annual required contribution	<u>(3,690)</u>	<u>(2,541)</u>	<u>---</u>
Annual pension cost	241,022	24,803	121,264
Contributions made	<u>(239,488)</u>	<u>(23,746)</u>	<u>(121,264)</u>
Increase in net pension obligation	1,534	1,057	---
Net pension obligation, beginning of year	<u>61,463</u>	<u>42,331</u>	<u>---</u>
Net pension obligation, end of year	<u><u>\$ 62,997</u></u>	<u><u>\$ 43,388</u></u>	<u><u>\$ ---</u></u>

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2005, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2007, will set the required contribution rates for the fiscal year ending June 30, 2009. The actuarial value of assets was determined using a 5-year valuation method which fully recognizes expected investment return and averages unanticipated market return. The unfunded actuarial accrued liabilities are amortized on a closed basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current year was determined as part of an actuarial valuation as of June 30, 2005, using the normal entry age actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: (a) rate of return on the investment of 8.25%, and (b) projected wage inflation rate of 3.75%.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

As of June 30, 2007, the actuarial valuation of assets was determined using a 3-year smoothed market average. The unfunded actuarial accrued liabilities are amortized as closed, level percentage over 30 years.

Trend Information (in thousands of dollars)						
	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/05</u>
Annual Pension Cost (APC)	\$ 241,022	\$ 228,730	\$ 198,980	\$ 24,803	\$ 23,433	\$ 22,770
Percentage of APC Contributed	99.36%	99.35%	99.32%	95.73%	95.60%	95.97%
Net Pension Obligation	\$ 62,997	\$ 61,463	\$ 59,996*	\$ 43,388	\$ 42,331	\$ 41,300

*Restated

	MPERS		
	Fiscal Year Ending		
	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/05</u>
Annual Pension Cost (APC)	\$ 121,264	\$ 111,272	\$ 102,240
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under the Revised Statutes of Missouri, Section 104.342, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed \$2,984,000, \$2,776,000, and \$2,179,000 for the years ending June 30, 2007, 2006, and 2005, respectively, to the System. These were equal to the required contributions for 2007 and 2006. Required contributions for 2005 were \$2,218,000.

Copies of the System's June 30, 2007, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65102-0268

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

College and Universities:

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer, defined benefit plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

All full-time employees are eligible for benefits after five years of credited service. Full benefits are available to members who retire at age 65 or after. Early retirement may be taken, at member's option, after age 55 with at least ten years of credited service, or age 60 with five years of credited service. Benefits are reduced for those who retire early, unless they retire at age 62 or later with at least 25 years of credited service. At retirement, up to 30% of the value of the retirement annuity can be taken in a lump sum; also the single life annuity can be exchanged for an actuarially equivalent annuity option.

Separate financial statements and supplemental schedules are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2007 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
118 University Hall
Columbia, Missouri 65211

Funding Requirement

The University's contributions to the Plan are equal to the actuarially determined contribution requirement, as a percent of payroll, which averaged 8.7% for the year ended June 30, 2007. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually at the beginning of the University's fiscal year on July 1 to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1, and the adoption of any Plan amendments during the interim.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

Annual required contribution	\$	74,736
Interest on net pension obligation		---
Actuarial adjustment to annual required contribution		---
Annual pension cost		74,736
Contributions made		(74,736)
Change in net pension obligation		---
Net pension obligation, beginning of year		---
Net pension obligation, end of year	\$	---

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 7 – Retirement Systems (cont.)

The annual required contribution for the University for the current year was determined as part of an actuarial valuation of the System as of October 1, 2005, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) assumed rate of return on investments of 8.0% per year, (b) projected salary increases for academic and administrative employees averaging 5.2% per year, (c) projected salary increases for clerical and service employees averaging 4.5% per year, and (d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Trend Information (in thousands of dollars)

	Fiscal Year Ending		
	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/05</u>
Annual Pension Cost (APC)	\$ 74,736	\$ 64,399	\$ 49,075
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

Note 8 – Other Postemployment Benefits

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 17,241, 5,356, and 536, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 16,308, 3,427, and 365, respectively. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100 of the Revised Statutes of Missouri. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2007, the State's contributions were 50.89% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in each plan is as follows:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	17,241	---
MOSERS	---	16,308
MHPML	5,356	3,427
CEIP	536	365
Total	<u>23,133</u>	<u>20,100</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 8 – Other Postemployment Benefits (cont.)

During fiscal year 2007, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	\$ 55,428	\$ ---
MOSERS	---	1,787
MHPML	12,489	---
CEIP	1,440	---
Total	<u>\$ 69,357</u>	<u>\$ 1,787</u>

During fiscal year 2007, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	\$ 77,582	\$ ---
MOSERS	---	---
MHPML	34,551	2,662
CEIP	3,050	124
Total	<u>\$ 115,183</u>	<u>\$ 2,786</u>

The MCHCP retained PricewaterhouseCoopers, LLP to perform an actuarial valuation of its Postemployment Medical Plan for fiscal year July 1, 2007 through June 30, 2008. The valuation report provides a preliminary estimate of the State's obligations for fiscal year 2008 in accordance with GASB 45. The valuation was performed using census data and plan provisions as of July 1, 2005; the results were projected to June 30, 2008, using open group projection methodology and assuming a stable active employee population. Since the GASB requires that any such valuation must be done within 24 months of the end of the valuation year, the results are labeled "preliminary" and are not the final numbers to be used in fiscal year 2008. The valuation was performed using all six prescribed actuarial cost methods and two prescribed spread methods. The actuarial cost method chosen by the State and MCHCP is the Entry-Age Normal method. This method will produce a relatively stable normal cost as a percentage of payroll. The Annual Required Contribution (ARC) for fiscal year 2008 is projected to be \$159 million without pre-funding and \$103.3 million with pre-funding. If the obligation is fully funded each year (the State contributes the ARC to a qualified trust), then the Net OPEB Obligation (NOO) is \$0. If pre-funding does not occur for fiscal year 2009, the NOO as of June 30, 2008, is projected to be \$96.5 million. The State has appropriated \$15 million to fund the ARC in fiscal year 2008, in addition to pay as you go.

College and Universities:

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 5,810 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2007 the University's contributions were 50.46% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the numbers of retirees/long-term disability claimants participating are 4,854 for medical care, 4,609 for dental care, 2,672 for life insurance, and 3,045 for accidental death and dismemberment, dependent life and long-term care insurance. During fiscal year 2007, the University contributed \$14,318,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were \$30,210,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 9 – Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

CitiStreet
One Heritage Drive
North Quincy, Massachusetts 02171

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code. It is administered by CitiStreet.

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months immediately preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least \$25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes \$25 per month for each employee that meets these requirements. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. During fiscal year 2007, employer contributions to CitiStreet were \$34,894,000. No employee contributions are made to the Plan.

Copies of the Plan's financial statements may be requested from:

CitiStreet
One Heritage Drive
North Quincy, Massachusetts 02171

On June 1, 2006, CitiStreet became the third-party administrator (TPA) of both Plans. The 401(a) deferred compensation plan displayed in the Pension (and Other Employee Benefit) Trust Funds statement presents 18 months of activity ended December 31, 2006, whereas the 457 deferred compensation plan presents 12 months of activity ended December 31, 2006.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 10 – Changes in Short-Term Liabilities

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts. Budget reserve loans are issued to the General Revenue Fund and other funds to maintain adequate cash balances for anticipated payments.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2007 (in thousands of dollars):

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities:				
Bank Overdraft	\$ 2	\$ 586,882	\$ (586,884)	\$ ---
Budget Reserve Loans	---	6,802	(6,802)	---
Total Governmental Activities	<u>\$ 2</u>	<u>\$ 593,684</u>	<u>\$ (593,686)</u>	<u>\$ ---</u>

Note 11 – Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007 (in thousands of dollars):

	*Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Due to Other Entities	\$ 35,308	\$ 409	\$ (1,179)	\$ 34,538	\$ 3,833
General Obligation Bonds Payable	739,935	---	(55,420)	684,515	66,395
Other Bonds Payable	1,873,140	1,314,870	(527,135)	2,660,875	109,595
Unamortized Bond Premium	104,413	77,099	(21,526)	159,986	---
Obligations under Lease/ Purchases	235,164	19,964	(23,419)	231,709	22,286
Compensated Absences	159,760	182,627	(170,610)	171,777	170,610
Claims Liabilities	122,800	518,033	(447,646)	193,187	109,876
Contingent Liabilities	111,402	---	(28,480)	82,922	28,480
2 nd Injury Fund					
Contingent Liabilities	982,328	195,773	(66,078)	1,112,023	66,078
Net Pension Obligation	103,794	387,089	(384,498)	106,385	---
Total Governmental Activities	<u>\$ 4,468,044</u>	<u>\$ 2,695,864</u>	<u>\$ (1,725,991)</u>	<u>\$ 5,437,917</u>	<u>\$ 577,153</u>
Business-Type Activities:					
Claims Liabilities	\$ 116,929	\$ 11,292	\$ (12,165)	\$ 116,056	\$ 13,000
Grand Prize Winner Liability	108,579	41,833	(47,441)	102,971	45,273
Compensated Absences	2,146	3,143	(2,607)	2,682	2,607
Total Business-Type Activities	<u>\$ 227,654</u>	<u>\$ 56,268</u>	<u>\$ (62,213)</u>	<u>\$ 221,709</u>	<u>\$ 60,880</u>

*Beginning balances as of July 1, 2006 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

General Obligation Bonds:

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit, and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund to the debt service funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Third State Building Bonds were used to provide funds for improvements of state buildings and property. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Water Pollution Control Bonds:				
Series A 1987 Refunding	8/1/87	\$ 49,715	A 1981	\$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991 Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003 Refunding	10/29/03	74,655	B 1993 Refunding	76,540
Series A 2005 Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003 Refunding	51,535

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Series A 2003 Refunding	10/29/03	75,650	A 1993 Refunding	79,380
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005 Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2007, \$544,494,240 of the Water Pollution Control Bonds; \$600,000,000 of the Third State Building Bonds; \$250,000,000 of the Fourth State Building Bonds; and \$45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is \$180,505,760 and for Stormwater Control Bonds is \$155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Water Pollution Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	\$ 20,000	\$ 16,925
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	27,015
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	121,880
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	95,100
Third State Building Bonds:						
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	125,705
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	39,640
Fourth State Building Bonds:						
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	153,370
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	45,330
Stormwater Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	8,460
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	13,510
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	17,175
Total General Obligation Bonds					<u>\$ 897,090</u>	<u>\$ 684,515</u>
Less: Amount in Sinking Fund for payment of Principal						<u>(66,395)</u>
						<u>\$ 618,120</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

As of June 30, 2007, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 66,395	\$ 31,231	\$ 97,626
2009	63,950	28,250	92,200
2010	70,010	24,904	94,914
2011	68,440	21,445	89,885
2012	56,775	18,346	75,121
2013–2017	237,290	57,057	294,347
2018–2022	98,535	15,760	114,295
2023–2027	20,165	3,295	23,460
2028	<u>2,955</u>	<u>74</u>	<u>3,029</u>
Totals	<u>\$ 684,515</u>	<u>\$ 200,362</u>	<u>\$ 884,877</u>

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves and to pay the costs of operations. The total amount authorized for the Board equals \$945,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	\$ 43,445	A 1981	\$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2007, the Board of Public Buildings Bonds had issued \$871,205,000 of the bond authorization. The remaining authorization is \$73,795,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	\$ 173,870	\$ 148,230
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	37,640
Series A 2003	4.0 – 6.0%	4/15; 10/15	4/03	10/15/28	387,425	376,385
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	120,000
Total Board of Public Buildings Bonds					<u>\$ 764,760</u>	<u>\$ 682,255</u>

As of June 30, 2007, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2008	\$ 28,925	\$ 33,234	\$ 62,159
2009	30,000	31,720	61,720
2010	31,175	30,127	61,302
2011	22,950	28,702	51,652
2012	23,815	27,551	51,366
2013–2017	124,930	118,582	243,512
2018–2022	152,830	84,748	237,578
2023–2027	180,685	43,366	224,051
2028–2032	86,945	6,795	93,740
Totals	<u>\$ 682,255</u>	<u>\$ 404,825</u>	<u>\$ 1,087,080</u>

The Health and Educational Facilities Authority issued \$35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project), Series 2001, dated November 1, 2001. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor’s annual budget request to the General Assembly include the State’s financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	<u>\$ 35,000</u>	<u>\$ 30,855</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

As of June 30, 2007, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 1,485	\$ 1,402	\$ 2,887
2009	1,545	1,349	2,894
2010	1,610	1,281	2,891
2011	1,685	1,199	2,884
2012	1,760	1,112	2,872
2013–2017	10,040	4,310	14,350
2018–2022	12,730	1,600	14,330
Totals	\$ 30,855	\$ 12,253	\$ 43,108

The Regional Convention and Sports Complex Authority issued \$132,910,000 of Convention and Sports Facility Project Bonds, Series A 1991, dated August 15, 1991. On December 15, 1993, the Authority issued \$121,705,000 of Convention and Sports Facility Project Refunding Bonds, Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$101,410,000. On August 1, 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project Refunding Bonds, Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds, Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$2,845,000 for the Series A 1991 bonds and \$113,170,000 for the Series A 1993 refunding bonds. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Convention and Sports Facility Project Bonds:						
Series A 2003 – Refunding	1.42–5.375%	2/15; 8/15	8/03	8/15/21	\$ 116,030	\$ 102,955

As of June 30, 2007, the debt service requirements for these bonds are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 4,755	\$ 5,127	\$ 9,882
2009	4,985	4,894	9,879
2010	5,225	4,654	9,879
2011	5,465	4,392	9,857
2012	5,745	4,104	9,849
2013–2017	33,520	15,589	49,109
2018–2022	43,260	5,625	48,885
Totals	\$ 102,955	\$ 44,385	\$ 147,340

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of \$10,000,000 for principal and interest and \$2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>State</u> <u>Debt Service</u> <u>Payments</u>
2008	\$ 10,000
2009	10,000
2010	10,000
2011	10,000
2012	10,000
2013-2017	50,000
2018-2022	<u>45,000</u>
Total	<u>\$ 145,000</u>

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29-34 of the Missouri Constitution and Section 226.133 and 226.134 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund.

On December 1, 2000, the Commission issued \$250,000,000 of State Road Bonds, Series A 2000. In October 2001, the Commission issued \$200,000,000 of State Road Bonds, Series A 2001. State Road Bonds, Series A 2002, were issued by the Commission in June 2002 with a principal amount of \$203,000,000. In November 2003, the Commission issued \$254,000,000 of State Road Bonds, Series A 2003. The Commission issued \$278,660,000 of Series A 2005 First Lien State Road Bonds in July 2005. Also in July 2005, the Commission issued \$72,000,000 of Third Lien State Road Bonds, Series B 2005. This is a variable rate bond with interest accruing daily and weekly. The Commission issued \$296,670,000 of Series A 2006 First Lien State Road Bonds on August 1, 2006. Series B 2006 First Lien State Road Bonds was issued in the amount of \$503,330,000 by the Commission on August 1, 2006. The Commission issued Series 2006 Senior Lien Refunding State Road Bonds dated December 1, 2006, in the amount of \$394,870,000. This refunded \$135,980,000 of Series A 2000, \$105,075,000 of Series A 2001, \$109,165,000 of Series A 2002, and \$57,390,000 of Series A 2003.

The Senior Bonds are comprised of the Series A 2000, Series A 2001, Series A 2002, and Series A 2003. No new bonds may be added to the Senior Bonds. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. As of June 30, 2007, the Missouri Highways and Transportation Commission had used \$2,057,660,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30–5.625%	2/1; 8/1	12/00	2/1/20	\$ 250,000	\$ 60,525
Series A 2001	2.25–5.125%	2/1; 8/1	10/01	2/1/21	200,000	57,275
Series A 2002	3.00–5.25%	2/1; 8/1	6/02	2/1/22	203,000	62,865
Series A 2003	2.00–5.00%	2/1; 8/1	11/03	2/1/23	254,000	168,045
Series A 2005–First Lien	2.50–5.00%	11/1; 5/1	7/05	5/1/15	278,660	231,295
Series B 2005–Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006–First Lien	3.75–5.00%	5/1; 11/1	8/06	5/1/21	296,670	296,670
Series B 2006–First Lien	4.50–5.00%	5/1; 11/1	8/06	5/1/26	503,330	503,330
Series 2006–Refunding	4.00–5.00%	2/1; 8/1	12/06	2/1/22	394,870	394,870
Total Missouri Highways and Transportation Commission					<u>\$ 2,452,530</u>	<u>\$ 1,833,795</u>

As of June 30, 2007, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
2008	\$ 69,105	\$ 88,502	\$ 157,607
2009	81,920	85,415	167,335
2010	90,020	81,679	171,699
2011	98,380	77,495	175,875
2012	101,950	72,775	174,725
2013–2017	482,105	290,286	772,391
2018–2022	455,810	182,500	638,310
2023–2026	<u>454,505</u>	<u>57,725</u>	<u>512,230</u>
Totals	<u>\$ 1,833,795</u>	<u>\$ 936,377</u>	<u>\$ 2,770,172</u>

⁽¹⁾ The annual debt service schedule assumes an interest rate of 3.70%, representing the interest rate at June 30, 2007, for the Series B 2005 bonds.

In addition, several of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2007.

The Fulton 54 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$8,705,000 of Highway Revenue Bonds, Series 2000 dated November 1, 2000. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The Missouri Highway 179 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$22,930,000 of Highway Revenue Bonds, Series 1997 dated December 1, 1997. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$12,935,000 of Transportation Revenue Bonds, Series 2001 dated May 1, 2001. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The revenue bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Fulton 54 Transportation Corporation:						
Highway Revenue Bonds Series 2000	4.60 – 5.00%	9/1	11/00	9/1/07	<u>\$ 8,705</u>	<u>\$ 2,195</u>
Missouri Highway 179 Transportation Corporation:						
Highway Revenue Bonds Series 1997	3.95 – 5.25%	3/1; 9/1	12/97	9/1/08	<u>\$ 22,930</u>	<u>\$ 5,430</u>
Wentzville Parkway Transportation Corporation:						
Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	<u>\$ 12,935</u>	<u>\$ 3,390</u>

As of June 30, 2007, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 5,325	\$ 419	\$ 5,744
2009	3,300	202	3,502
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 11,015</u>	<u>\$ 770</u>	<u>\$ 11,785</u>

Under a financing agreement dated September 1, 2000, the City of Fulton will make payments to the Fulton 54 Transportation Corporation in the amount of \$1,010,000 to pay a portion of the principal on the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>City Payments</u>
2008	<u>\$ 995</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of \$4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>City's Total Payments</u>
2008	\$ 485	\$ 152	\$ 637
2009	515	129	644
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 3,390</u>	<u>\$ 430</u>	<u>\$ 3,820</u>

Component Units' Long-Term Debt – The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2007, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 33,294	\$ 47,663	\$ 80,957
2009	34,649	46,433	81,082
2010	35,808	44,955	80,763
2011	36,327	43,434	79,761
2012	34,692	41,910	76,602
2013–2017	191,081	185,452	376,533
2018–2022	201,537	140,543	342,080
2023–2027	253,675	86,987	340,662
2028–2032	181,410	34,273	215,683
2033–2037	<u>77,080</u>	<u>3,783</u>	<u>80,863</u>
Totals ⁽¹⁾	<u>\$ 1,079,553</u>	<u>\$ 675,433</u>	<u>\$ 1,754,986</u>

⁽¹⁾ The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued \$6,500,000 and \$14,600,000 in Facilities Revenue Bonds Series 2000B and 2000C, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, only out of revenues derived from the operation of the parking garage.

In October 2004, the Board issued \$9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds; and \$7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds.

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2007, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 8.5%	12/1	12/00	12/1/20	\$ 6,500	\$ 3,910
Series 2000C	up to 6.7%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	9,500
Series 2004B	up to 10%	10/1	10/04	10/1/34	7,000	7,000
Total Missouri Development Finance Board Revenue Bonds					<u>\$ 37,600</u>	<u>\$ 31,850</u>

As of June 30, 2007, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ ---	\$ 716	\$ 716
2009	240	4,527	4,767
2010	255	1,455	1,710
2011	270	1,443	1,713
2012	285	1,429	1,714
2013–2017	1,740	6,917	8,657
2018–2022	17,755	5,711	23,466
2023–2027	3,300	2,174	5,474
2028–2032	4,550	1,245	5,795
2033–2034	3,455	164	3,619
Totals	<u>\$ 31,850</u>	<u>\$ 25,781</u>	<u>\$ 57,631</u>

In December 2002, the Missouri Development Finance Board purchased a rate cap agreement of 8.5% for Series 2000B bonds and 6.7% for Series 2000C bonds with an expiration date of December 1, 2007. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate. The annual debt service schedule assumes an interest rate of 4.66%, representing the interest rate at June 30, 2007, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 4.62%, representing the interest rate as of June 30, 2007, for the Ninth Street Garage Series 2004A and 2004B bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 12 – Bonds Payable (cont.)

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2007 (in thousands of dollars):

	<u>Governmental Funds</u>		<u>Component Units</u>	
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Revenue Bonds</u>	<u>Totals</u>
Bonds Payable at July 1, 2006	\$ 739,935	\$ 1,873,140	\$ ---	\$ 2,613,075
Bond Issuance	---	1,314,870	---	1,314,870
Bonds Retired	(55,420)	(527,135)	---	(582,555)
Subtotal	684,515	2,660,875	---	3,345,390
College and Universities ⁽¹⁾	---	---	1,079,553	1,079,553
Missouri Development Finance Board	---	---	31,850	31,850
Bonds Payable at June 30, 2007	<u>\$ 684,515</u>	<u>\$ 2,660,875</u>	<u>\$ 1,111,403</u>	<u>\$ 4,456,793</u>

⁽¹⁾ Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On July 11, 2006, the State defeased the Midtown State Office Building in the amount of \$1,070,000. This building is part of the Board of Public Buildings Series B 2001 Refunding Bonds. The defeasance is an extinguishment of the debt as the Board was legally released from its obligation. Accordingly, the amount defeased is excluded from the Statement of Net Assets.

On December 13, 2006, the Missouri Department of Transportation issued \$394,870,000 of Series 2006 bonds. The Series 2006 bonds refunded \$407,610,000 of outstanding State Road Bonds, which included \$135,980,000 of Series A 2000, \$105,075,000 of Series A 2001, \$109,165,000 of Series A 2002, and \$57,390,000 of Series A 2003. The economic gain on the refunding is \$19,900,000. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt. The difference in cash flows between the old debt service requirements and the new debt requirements is \$27,000,000.

On December 27, 2006, Northwest Missouri State University issued \$9,905,000 of Series 2006 bonds. The Series 2006 bonds refunded \$8,750,000 of outstanding 1998 series bonds. The economic gain (difference between the present values of the old and new debt service payments) on the refunding is \$406,000. The difference in cash flows between the old debt service requirements and the new debt requirements is \$736,000.

On March 5, 2007, Northwest Missouri State University issued \$9,975,000 of Series 2007 bonds. The Series 2007 bonds refunded \$3,000,000 of outstanding 1997 series bonds and \$6,700,000 of outstanding 1998 series bonds. The economic gain (difference between the present values of the old and new debt service payments) on the refunding is \$232,000. The difference in cash flows between the old debt service requirements and the new debt requirements is \$427,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 13 – Defeased Debt (cont.)

B. Cumulative Debt Defeasances

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Assets.

Governmental Activities – As of June 30, 2007, bonds outstanding of \$543,033,000 are defeased.

College and Universities – As of June 30, 2007, bonds outstanding of \$175,306,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2007, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2007
Accounts Payable:			
Taxpayers	\$ 80,324	\$ 15	\$ 80,339
Other Governments	113,031	29	113,060
Vendors	792,372	11,581	803,953
Employees	119,711	2,680	122,391
Other	52,501	1	52,502
Total Accounts Payable	<u>\$ 1,157,939</u>	<u>\$ 14,306</u>	<u>\$ 1,172,245</u>
Accounts Receivable:			
Taxpayers	\$ 1,143,445	\$ 4,004	\$ 1,147,449
Other Governments	484,521	281	484,802
Vendors	1,931,889	---	1,931,889
Customers	74,485	167,329	241,814
Other	950,608	1,731	952,339
Accounts Receivable	4,584,948	173,345	4,758,293
Amounts not expected to be collected	<u>(1,923,619)</u>	<u>(4)</u>	<u>(1,923,623)</u>
Accounts Receivable, net	<u>\$ 2,661,329</u>	<u>\$ 173,341</u>	<u>\$ 2,834,670</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2007, is shown below (in thousands of dollars):

	Due From Other Funds, Component Units, and Primary Government			
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement
<u>Due to Other Funds and Primary Government</u>				
General Fund	\$ ---	\$ ---	\$ 3	\$ 18
Public Education	189	---	---	---
Conservation and Environmental Protection	---	---	---	1
Transportation and Law Enforcement	---	---	---	---
Missouri Road Fund	---	---	53	11
Non-Major Governmental Funds	111	---	1	---
State Lottery	---	16,525	---	---
Petroleum Storage Tank Insurance	---	---	---	---
Non-Major Enterprise Funds	---	---	---	---
Internal Service Funds	---	---	---	---
Non-Major Component Units	---	---	726	---
Totals	\$ 300	\$ 16,525	\$ 783	\$ 30

Continues Below

	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Totals
<u>Due to Other Funds and Primary Government</u>				
General Fund	\$ 508	\$ 8	\$ 4,314	\$ 4,851
Public Education	4	---	68	261
Conservation and Environmental Protection	72	23	281	377
Transportation and Law Enforcement	4	---	324	328
Missouri Road Fund	---	7	259	330
Non-Major Governmental Funds	95	---	502	709
State Lottery	---	---	42	16,567
Petroleum Storage Tank Insurance	10	---	1	11
Non-Major Enterprise Funds	---	---	77	77
Internal Service Funds	26	2	194	222
Non-Major Component Units	---	---	---	726
Totals	\$ 719	\$ 40	\$ 6,062	\$ 24,459

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 15 – Interfund Assets and Liabilities (cont.)

	<u>Advance From Component Units and Primary Government</u>		
	<u>Missouri Road Fund</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
<u>Advance To Component Units and Primary Government</u>			
Conservation and Environmental Protection	\$ ---	\$ 3,300	\$ 3,300
Non-Major Component Units	<u>12,158</u>	<u>---</u>	<u>12,158</u>
Totals	<u>\$ 12,158</u>	<u>\$ 3,300</u>	<u>\$ 15,458</u>

The loans from the component units were for the construction of additional state highways.

During the consolidation process for the Government-Wide Combined Statement of Net Assets, interfund payables and receivables were eliminated as follows: governmental activities in the amount of \$7,038,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 16 – Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2007, were as follows (in thousands of dollars):

	Transfers In:				
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
Transfers Out:					
General Fund	\$ ---	\$ 2,723,140	\$ 664	\$ 315	\$ 12
Public Education	7,309	---	---	---	---
Conservation and Environmental Protection	570	---	---	---	---
Transportation and Law Enforcement	3,560	---	---	---	523,745
Non-Major Governmental Funds	36,593	33,973	---	---	---
State Lottery	---	257,201	---	---	---
Non-Major Enterprise Funds	20	---	---	---	---
Internal Service Funds	7	---	---	---	---
Totals	\$ 48,059	\$ 3,014,314	\$ 664	\$ 315	\$ 523,757

Continues Below

	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:				
General Fund	\$ 175,373	\$ 534	\$ 120,052	\$ 3,020,090
Public Education	---	---	---	7,309
Conservation and Environmental Protection	1,392	---	---	1,962
Transportation and Law Enforcement	---	---	---	527,305
Non-Major Governmental Funds	10,880	---	---	81,446
State Lottery	---	---	---	257,201
Non-Major Enterprise Funds	---	---	---	20
Internal Service Funds	59	---	---	66
Totals	\$ 187,704	\$ 534	\$ 120,052	\$ 3,895,399

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving State Lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets

During fiscal year 2007, unusual transfers of \$120.1 million from the General Fund to State Facility Maintenance and Operation, an internal service fund, occurred to move the proceeds from Board of Public Buildings Series A 2006.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 17 – Restatements

During fiscal year 2007, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund categories (in thousands of dollars):

	June 30, 2006 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2006 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
Public Education	\$ 254,285	\$ 13,451	\$ 267,736
Non-Major Governmental Funds			
Special Revenue	265,313	1,202	266,515
PROPRIETARY FUNDS			
Non-Major Proprietary Funds			
Enterprise	46,561	62	46,623
Internal Service	467,766	(726)	467,040

Breakdown of restatements by type:

- Public Education, the restatement was a decrease in accounts receivable of \$23,333,000 and an increase in deferred revenue of \$9,882,000.
- Non-major special revenue funds, the restatement was a decrease to cash of \$3,000 and an increase in investments of \$1,205,000.
- Non-major enterprise funds, the restatement was an increase to capital assets (net of accumulated depreciation) of \$62,000.
- Non-major internal service funds, the restatement was a decrease in accounts receivable by \$5,000, a decrease in capital assets (net of accumulated depreciation) of \$692,000, and an increase in capital lease obligation by \$29,000.

Purpose for restatements:

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net assets for the governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation) decreased by \$2,333,000, the internal balance increased by \$3,000, contingent liabilities increased by \$17,837,000, capital lease obligation increased by \$4,176,000, and accounts receivable increased by \$235,150,000, which included a \$228,746,000 increase in the General Fund, \$6,223,000 increase in Conservation and Environmental Protection, and a \$181,000 increase in Transportation and Law Enforcement.

On the Government-Wide Statement of Activities, net assets for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by a decrease in the internal balance of \$3,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 18 – Fund Deficit

The following funds had deficit balances:

Enterprise Fund – Petroleum Storage Tank – At June 30, 2007, this fund had a net asset deficit of \$33,900,000. The deficit at June 30, 2006 was \$46,633,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will not accept new claim liabilities after December 31, 2010, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the petroleum storage tank fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Note 19 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan is administered by CitiStreet. ING Life Insurance and Annuity Company provides fixed earnings investments for plan participants while CitiStreet provides variable earnings investments. At December 31, 2006, total investments of the Plan were \$1,059,796,000 and investments in ING Life Insurance and Annuity Company were \$464,379,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of \$2,775,000 for construction contracts at June 30, 2007. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Transportation had long-term contracts of \$1,151,750,000 outstanding at June 30, 2007. These contracts are paid from capital projects funds with approximately 70% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2007, of \$120,327,000. Approximately 26% will be paid from the General Fund, 8% from special revenue funds, 2% from capital projects funds, and 64% from internal service funds.

The Department of Elementary and Secondary Education had desegregation payments outstanding of \$30 million at June 30, 2007. These payments are due to the St. Louis Public School District based upon Court Order L(266)99 approving the 1999 settlement agreement requiring annual payments. The payments are as follows:

July 1, 2007	\$ 11,000,000
July 1, 2008	10,000,000
July 1, 2009	9,000,000

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 20 – Commitments (cont.)

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to \$10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2007 was \$364,000. Payment of principal and interest must be completed by March 2038.

The Department of Natural Resources – State Parks had contracts outstanding of \$3,000 for land acquisition and \$30,000 for construction contracts at June 30, 2007. The land acquisition contracts will be funded through federal funds and the construction contracts will be funded through special revenue funds.

As of June 30, 2007, the University of Missouri had outstanding commitments for the acquisition, usage, and ongoing support of certain software for its patient clinical systems totaling \$12,869,000. The payments are as follows:

2008	\$	3,960,000
2009		3,960,000
2010		3,960,000
2011		989,000

Missouri State University had approximately \$43,800,000 in outstanding commitments for various construction contracts at June 30, 2007, still to be incurred.

Note 21 – Risk Management and Insurance

The State is exposed to various risks of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. The State assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to State statute, through the State's legal expense fund, which is a component of the General Fund in this report. This insurance covers all State employees.

The workers' compensation and legal expense fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The State has not had any insurance settlements exceed the coverage during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 4%.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 21 – Risk Management and Insurance (cont.)

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all State employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441). The Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. In FY 2007, the Department of Revenue (DOR) resolved (by negotiated settlement) some claims related to the suit, filed by multiple taxpayers, for \$88.5 million. During FY 2007, \$22 million in payments were made resulting in a remaining liability of \$66.5 million as of June 30, 2007.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 3% and 4% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

Missouri State University is exposed to various risks of loss. These include loss related to torts; business interruption; employee injuries and illnesses; employee health, dental and accidental benefits; natural disasters; damage to and destruction of assets; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than those related to natural disasters and employee health benefits, general liability, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance Program, through the Risk Management Division of the Department of Administration Services in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all State employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 21 – Risk Management and Insurance (cont.)

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2006</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2007</u>
OA Workers Compensation	Workers Comp.	\$ 21,053	\$ 17,655	\$ (20,529)	\$ 18,179
OA Legal Expense Fund	Liability	153	5,706	(4,995)	864
MoDOT Self-Insurance Plan	Workers Comp. and Liability	55,857	7,002	(11,544)	51,315
MCHCP	Health Care	32,494	300,493	(289,933)	43,054
MHPML	Health Care and Life Insurance	9,561	91,487	(90,048)	11,000
CEIP	Health Care and Life Insurance	3,682	7,190	(8,597)	2,275
DOR	Southwestern Bell Lawsuit	---	88,500	(22,000)	66,500
Total Governmental Activities		<u>\$ 122,800</u>	<u>\$ 518,033</u>	<u>\$ (447,646)</u>	<u>\$ 193,187</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 116,929</u>	<u>\$ 11,292</u>	<u>\$ (12,165)</u>	<u>\$ 116,056</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 86,850	\$ 139,294	\$ (146,345)	\$ 79,799
Missouri State University	Health Care, Workers Comp. and Liability	962	11,779	(11,566)	1,175
Total Component Units		<u>\$ 87,812</u>	<u>\$ 151,073</u>	<u>\$ (157,911)</u>	<u>\$ 80,974</u>

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2005</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2006</u>
OA Workers Compensation	Workers Comp.	\$ 13,372	\$ 28,888	\$ (21,207)	\$ 21,053
OA Legal Expense Fund	Liability	1,245	233	(1,325)	153
MoDOT Self-Insurance Plan	Workers Comp. and Liability	45,927	26,707	(16,777)	55,857
MCHCP	Health Care	36,707	259,505	(263,718)	32,494
MHPML	Health Care and Life Insurance	9,119	83,792	(83,350)	9,561
CEIP	Health Care and Life Insurance	3,277	12,153	(11,748)	3,682
Total Governmental Activities		<u>\$ 109,647</u>	<u>\$ 411,278</u>	<u>\$ (398,125)</u>	<u>\$ 122,800</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 121,054</u>	<u>\$ 8,722</u>	<u>\$ (12,847)</u>	<u>\$ 116,929</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 78,190	\$ 148,993	\$ (140,333)	\$ 86,850
Missouri State University	Health Care, Workers Comp. and Liability	1,041	10,997	(11,076)	962
Total Component Units		<u>\$ 79,231</u>	<u>\$ 159,990</u>	<u>\$ (151,409)</u>	<u>\$ 87,812</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 21 – Risk Management and Insurance (cont.)

Risk Management Pool:

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

Note 22 – Landfill Closure and Postclosure

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2007, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be \$264,085,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2007, ten MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities, so the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Missouri Revised Statutes Chapter 260, Section 228. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2007, it is expected that \$788,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the general fund balance sheet for forfeited assets.

Note 23 – Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 23 – Contingencies (cont.)

At June 30, 2007, the amount of the contingent liabilities was \$83 million. Changes in the reported liability since June 30, 2006, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2006-2007	\$ 111,402	\$ (18,643)	\$ (9,837)	\$ 82,922
2005-2006	117,631	1,663	(7,892)	111,402
2004-2005 *	141,031	(17,164)	(6,236)	117,631

*Restated.

RSMo 287.220.6 requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the Fund. Figures presented below for current year claims and changes in estimates are based on the 2007 actuarial study. At June 30, 2007, the amount of liabilities for the Second Injury Fund was \$1.1 billion. Changes in the reported liability since June 30, 2006, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2006-2007	\$ 982,328	\$ 195,773	\$ (66,078)	\$ 1,112,023
2005-2006 *	863,774	180,930	(62,376)	982,328
2004-2005 *	749,600	177,564	(63,390)	863,774

*Restated.

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial in the next fiscal year.

Loan Guarantees:

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. The total loans outstanding at June 30, 2007, for which the Board has guaranteed payment is \$391,000. During 2007, no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to \$250,000. The total of loans outstanding at June 30, 2007, for which the Authority has guaranteed payment is \$2,211,000 and \$10,528,000, respectively. During 2007, no loans defaulted.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 23 – Contingencies (cont.)

Medicaid Lawsuits:

Overland Park Regional Medical Center and Menorah Medical Center vs. Department of Social Services, Division of Medical Services (DSS/DMS) (Case No. 04CV324878). These out of state hospitals filed cases in Cole County Circuit Court challenging the reimbursement rate paid by Missouri to out of state hospitals on behalf of Missouri Medicaid beneficiaries. The judgment was in favor of the Medical Centers for the total amount of \$1,554,000. The case is on appeal.

Department of Social Services vs. Little Hills Healthcare (Cole County Circuit Court Case No. 05AC-CC000693). The Medicaid provider challenged the Division of Medical Services' calculation of FRA assessment for the state fiscal year 2002, where they requested an additional \$1.8 million based on an allegation that DSS/DMS should have promulgated a rule explaining its decision making process for estimating Medicaid patient days. Both the Administrative Hearing Commission and the Cole County Circuit Court ruled against the agency. The Missouri Court of Appeals ruled in favor of the Department. The issue is pending before the Supreme Court. DSS/DMS paid \$1.9 million on the judgment in FY 07. However, if DSS/DMS prevails on appeal, DSS may be able to recoup some or all of the payment.

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441). The Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell case. A \$66.5 million liability remains as of June 30, 2007, and is referenced in *Note 21 – Risk Management and Insurance*. Refund claims filed by other related companies as of June 30, 2007, totaled approximately \$100 million (including a portion payable by local governments). These claims are pending verification and could negatively affect the State's General Revenue Fund by \$61 million (exclusive of interest which could be substantial). Additional claims could be filed in future periods.

The State is also involved in tax litigation not included in the fiscal year 2007 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of \$2.8 million.

Education Lawsuits:

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; and the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 24 – Joint Ventures

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County, and City because it constitutes a contractual agreement for public benefit in which the State, County, and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued \$258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of \$132,910,000 by the State (Series A), \$65,685,000 by the County (Series B), and \$60,075,000 by the City (Series C). In December 1993, the Authority issued \$181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund \$101,410,000 and \$50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of \$121,705,000 by the State (Series A) and \$60,180,000 by the County (Series B). In February 1997, the Authority issued \$61,285,000 in Series C refunding bonds to advance refund \$47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project and Refunding Bonds, Series A 2003 to refund \$2,845,000 and \$113,170,000 of Series A 1991 and Series A 1993 refunding bonds, respectively, and for additional construction costs. In May 2007, the Authority issued \$49,585,000 in Series C 2007 refunding bonds to refund \$61,285,000 of original principal of the Series C 1997 refunding bonds.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County, and City under the financing agreement are sufficient to pay the principal and interest on the bonds. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top 25% of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2006, is presented below (in thousands of dollars):

Total Assets	\$ 301,961
Total Liabilities	\$ 202,270
Total Net Assets	99,691
Total Liabilities and Net Assets	\$ 301,961
Total Revenues	\$ 26,519
Total Expenses	23,011
Net Increase in Net Assets	\$ 3,508

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 25 – Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. The net appreciation of the endowments available for expenditure is \$86,053,000, and of this amount, \$84,248,000 is reported as restricted non-expendable net assets and \$1,805,000 is reported as restricted expendable net assets. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in RSMo 402.035. These policies are entity specific and vary with each institution.

Note 26 – Conduit Debt

As of June 30, 2007, the Missouri Development Finance Board issued \$910,262,420 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$1,435,540,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2007, were approximately \$424,350,328, \$135,000, and \$614,476,000, respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

Note 27 – Subsequent Events

General Obligation Bonds:

On August 1, 2007, the Board of Fund Commissioners of the State of Missouri defeased the Water Pollution Control Bonds Series A 2001, the Stormwater Control Bonds Series A 2001, and the Stormwater Control Bonds Series A 2002. The defeased amounts were \$80,000, \$235,000, and \$1,640,000, respectively.

On November 28, 2007, the Board of Fund Commissioners of the State of Missouri issued \$50,000,000 of Water Pollution Control Bonds, Series A 2007. The interest rates range from 4.0% to 5.0% and have a final maturity date of December 1, 2032.

Missouri Department of Transportation:

On August 27, 2007, the Department issued \$526,800,000 of Second Lien State Road Bonds Series 2007. These bonds bear interest, payable semiannually, from 4.00% to 5.25%, due in semiannual installments beginning May 1, 2009. Proceeds will be used to finance certain construction and reconstruction costs of the State highway system, pursuant to the "Smoother, Safer, Sooner" road and bridge program. In conjunction with the bond sale, the Department settled an interest rate swap agreement that resulted in a termination payment of \$11,118,000 from bond proceeds.

Lincoln University:

On July 3, 2007, the University issued \$21,000,000 of insured Auxiliary System Subordinate Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at rates of 4.0% to 4.7% and are due in semiannual installments beginning December 1, 2007. Principal maturities will begin June 1, 2009, and continue until 2037.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Note 27– Subsequent Events (cont.)

University of Central Missouri:

On October 1, 2007, the University issued \$1,200,000 of insured Educational Facilities Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at 4.9% and are due in semiannual installments beginning April 1, 2008. Principal maturities will begin April 1, 2008, and continue until 2017.

University of Missouri:

On July 2, 2007, the University sold \$160,000,000 of capital project notes at an effective interest rate of 3.7%. The notes will be repaid in full by June 30, 2008.

On July 26, 2007, the University issued \$365,220,000 of System Facilities Revenue Bonds, consisting of \$262,970,000 in Series 2007A bonds at the interest cost of 4.0% to 5.0% and \$102,250,000 of Series 2007B bonds with variable rates.

Settlement:

On November 28, 2007, the State of Missouri reached a settlement for \$179,750,000 with Ameren over the collapse of the Taum Sauk Reservoir. On December 14, 2005, a breach of the 55-acre reservoir released more than a billion gallons of water causing extensive damage to the nearby Johnson's Shut-Ins State Park. The settlement requires Ameren to restore and rebuild the area in and around the park. Approximately \$14,400,000 of the settlement will go to local government agencies.

Missouri State Public Employees' Deferred Compensation Commission:

On August 28, 2007, the Missouri State Public Employees' Deferred Compensation Commission was dissolved per Section 105.910 of the Revised Statutes of Missouri. The Missouri State Employees' Retirement System Board of Trustees assumed supervision of the deferred compensation program on September 1, 2007.



Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule for the General Fund and Major Special Revenue Fund Categories, as well as the Budget to Generally Accepted Accounting Principles (GAAP) reconciliation, and the Notes to RSI on Budgetary Reporting.

**STATE OF MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)**

	General				Public Education				Conservation and Environmental Protection				Transportation and Law Enforcement			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,487,155	\$ 1,487,155	\$ 1,487,155	\$ ---	\$ 194,918	\$ 194,918	\$ 194,918	\$ ---	\$ 340,475	\$ 340,475	\$ 340,475	\$ ---	\$ 49,759	\$ 49,759	\$ 49,759	\$ ---
Resources (Inflows):																
Taxes:																
Sales and Use	1,975,452	2,013,977	2,042,377	28,400	949,320	949,320	772,236	(177,084)	186,357	186,357	186,001	(356)	98,559	98,559	62,292	(36,267)
Individual Income	5,538,895	5,646,914	5,726,545	79,631	6,113	6,113	4,973	(1,140)	---	---	---	---	---	---	---	---
Corporate Income	535,796	546,245	553,948	7,703	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	192,683	196,441	199,211	2,770	---	---	---	---	---	---	---	---	---	---	---	---
Beer	8,136	8,295	8,412	117	---	---	---	---	---	---	---	---	---	---	---	---
Liquor	20,924	21,331	21,632	301	---	---	---	---	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	91,148	91,148	74,145	(17,003)	---	---	---	---	---	---	---	---
Fuel	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Corporation Franchise	75,239	76,707	77,788	1,081	---	---	---	---	---	---	---	---	1,178,581	1,178,581	744,892	(433,689)
Inheritance	5,776	5,889	5,972	83	---	---	---	---	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	1,071,701	1,092,601	1,108,009	15,408	360,449	360,449	293,212	(67,237)	1,552	1,552	1,549	(3)	---	---	---	---
Total Taxes	9,424,602	9,608,400	9,743,894	135,494	1,407,030	1,407,030	1,144,566	(262,464)	187,909	187,909	187,550	(359)	1,277,140	1,277,140	807,184	(469,956)
Licenses, Fees, and Permits	76,723	78,216	79,298	1,082	8,358	8,358	6,799	(1,559)	78,681	78,681	78,530	(151)	236,059	236,059	149,196	(86,863)
Sales	11,534	11,736	11,744	8	---	---	---	---	8,839	8,839	8,822	(17)	18,106	18,106	11,443	(6,663)
Leases and Rentals	22	22	23	1	---	---	---	---	136	136	135	(1)	15	15	9	(6)
Services	251,212	252,841	234,833	(18,008)	---	---	---	---	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	6,918,964	6,945,038	6,324,749	(620,289)	82,415	82,415	67,042	(15,373)	80,558	80,558	80,404	(154)	1,310	1,310	828	(482)
Interest	84,878	86,488	87,406	918	9,788	9,788	7,962	(1,826)	16,599	16,599	16,568	(31)	8,074	8,074	5,103	(2,971)
Penalties and Unclaimed Property	978	993	988	(5)	1,458	1,458	1,186	(272)	1,149	1,149	1,147	(2)	630	630	398	(232)
Cost Reimbursement/Miscellaneous	444,887	445,766	400,605	(45,161)	68,980	68,980	56,113	(12,867)	50,464	50,464	50,368	(96)	2,011	2,011	1,272	(739)
Transfers In	168,627	253,748	159,191	(94,557)	2,909,071	2,909,071	3,016,852	107,781	699	715	715	---	1,322	1,322	1,498	176
Total Resources (Inflows)	17,382,427	17,683,248	17,042,731	(640,517)	4,487,100	4,487,100	4,300,520	(186,580)	425,034	425,050	424,239	(811)	1,544,667	1,544,667	976,931	(567,736)
Amount Available for Appropriation	18,869,582	19,170,403	18,529,886	(640,517)	4,682,018	4,682,018	4,495,438	(186,580)	765,509	765,525	764,714	(811)	1,594,426	1,594,426	1,026,690	(567,736)
Charges to Appropriations (Outflows):																
Current:																
General Government	1,827,953	1,825,670	1,741,945	83,725	1,884	1,888	1,308	580	3,246	3,762	3,251	511	215,407	216,344	213,787	2,557
Education	1,928,516	1,898,655	1,786,193	112,462	4,158,673	4,238,715	4,216,425	22,290	---	---	---	---	---	---	---	---
Natural and Economic Resources	304,748	313,222	243,598	69,624	24,036	24,036	12,769	11,267	341,852	466,729	336,763	129,966	---	---	---	---
Transportation and Law Enforcement	384,310	423,924	323,968	99,956	155	169	153	16	983	984	648	336	214,712	213,352	192,862	20,490
Human Services	9,427,727	9,817,787	8,898,446	919,341	21,575	21,585	20,405	1,180	499	499	312	187	---	---	---	---
Capital Outlay	112,352	116,432	101,264	15,168	3,444	3,499	3,363	136	24,993	33,954	24,622	9,332	22,945	22,801	20,619	2,182
Debt Service	85,179	84,836	82,478	2,358	---	---	---	---	86	117	85	32	31	31	29	2
Transfers Out	3,483,266	3,583,088	3,549,084	34,004	6,357	11,294	10,584	710	53,850	55,117	44,333	10,784	562,749	565,052	537,523	27,529
Total Charges to Appropriations	17,554,051	18,063,614	16,726,976	1,336,638	4,216,124	4,301,186	4,265,007	36,179	425,509	561,162	410,014	151,148	1,015,844	1,017,580	964,820	52,760
Ending Budgetary Fund Balance	\$ 1,315,531	\$ 1,106,789	\$ 1,802,910	\$ 696,121	\$ 465,894	\$ 380,832	\$ 230,431	\$ (150,401)	\$ 340,000	\$ 204,363	\$ 354,700	\$ 150,337	\$ 578,582	\$ 576,846	\$ 61,870	\$ (514,976)
Reconciling Items:																
Reclassifying Cash Equivalents as Investments			(1,418,608)				(182,247)				(256,716)				(39,403)	
Investments at Fair Value			1,439,625				185,204				257,334				53,424	
Receivables			1,439,315				121,890				800,631				145,007	
Due from Other Funds			300				16,525				57				30	
Due from Component Units			---				---				726				---	
Inventory			24,017				84				824				4,823	
Advance to Component Units			---				---				3,300				---	
Accounts Payable			(814,480)				(41,145)				(5,465)				(2,520)	
Accrued Payroll			(57,680)				(419)				(5,002)				(5,435)	
Due to Other Funds			(4,851)				(261)				(377)				(328)	
Arbitrage Liability			(39)				---				---				---	
Deferred Revenue			(434,501)				(25,283)				(18,799)				(1,689)	
Escheat/Unclaimed Property			(95,776)				---				---				---	
Fund Balance - GAAP Basis		\$ 1,880,232				\$ 304,779				\$ 1,131,213				\$ 215,779		

STATE OF MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2007

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where “actual” revenues are recognized when cash is received, and “actual” expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2007, has been presented at the bottom of the Budgetary Comparison Schedule.

The budgetary expenditures are included in the current year’s Appropriation Activity Report, which demonstrates legal compliance with the current year’s budget. This report can be viewed at <http://oa.mo.gov/acct/AAR2007/index.htm>. The “original budget” expenditures and transfers are for what was originally appropriated for each fund. The “final budget” expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor’s amounts reverted (withheld) for each fund less any re-appropriations to the next fiscal year.

On the Budgetary Comparison Schedule, “original” and “revised” budget revenues are equal for all funds except the State’s General Revenue Fund. Once a year the Office of Administration–Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State’s General Revenue Fund. The revised revenue estimate is used in the “final budget” column for the General Fund and is very comparable to actual revenue resulting in a small positive variance on this Schedule.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between “budgeted” and “actual” expenditures and transfers on the budgetary schedule will always be positive.



Supplementary Information includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.

**STATE OF MISSOURI
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)**

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 354,167	\$ 354,167	\$ 354,167	\$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	188,481	188,481	206,244	17,763
Fuel	113	113	93	(20)
Total Taxes	188,594	188,594	206,337	17,743
Licenses, Fees, and Permits	114,499	114,499	123,971	9,472
Contributions and Intergovernmental	835,154	835,154	809,520	(25,634)
Interest	15,581	15,581	33,870	18,289
Cost Reimbursement/Miscellaneous	87,950	87,950	103,739	15,789
Bond Sales Proceeds	800,000	800,000	829,994	29,994
Transfers In	550,013	550,013	523,757	(26,256)
Total Resources (Inflows)	2,591,791	2,591,791	2,631,188	39,397
Amount Available for Appropriation	2,945,958	2,945,958	2,985,355	39,397
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	850,913	860,096	843,367	16,729
Capital Outlay	1,252,863	1,266,385	1,241,753	24,632
Debt Service	260,171	263,807	195,057	68,750
Total Charges to Appropriations	2,363,947	2,390,288	2,280,177	110,111
Ending Budgetary Fund Balance	\$ 582,011	\$ 555,670	\$ 705,178	\$ 149,508
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(254,449)	
Investments at Fair Value			256,470	
Receivables			71,347	
Inventories			40,365	
Accounts Payable			(104,034)	
Accrued Payroll			(17,200)	
Due to Other Funds			(330)	
Deferred Revenue			(27,377)	
Advance from Component Units			(12,158)	
Fund Balance – GAAP Basis			\$ 657,812	



The Combining and Individual Fund Statements and Schedules

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Non-Major Funds

This includes all non-major governmental and enterprise funds, as well as the non-major component units. It also includes all internal service and fiduciary funds because the “major fund” classification, created under GASB Statement 34, does not apply to these funds.

A budgetary comparison schedule is provided for all non-major governmental funds with the exception of capital projects funds.

General Fund:

General:

General Revenue – All moneys received by the State unless required by statute or constitutional provision to be deposited elsewhere in a specifically named fund.

Budget Reserve – Moneys used when there are revenue shortfalls that require the Governor to reduce expenditures of agencies below the level of their appropriations or when there is a financial need due to a disaster.

Uncompensated Care – Accounts for moneys used for the non-federal share of uncompensated care and other services under the Title XIX Medicaid Program.

Department of Health Interagency Payments – Accounts for reimbursed moneys to be used for program disbursements.

Facilities Maintenance Reserve – General Revenue moneys to be used for maintaining, repairing, and renovating State facilities.

Intergovernmental Transfers – Moneys from publicly owned nursing facilities to be used for Medicaid and other related charges.

Federal Reimbursement Allowance – Moneys received for payment of Title XIX services.

Pharmacy Reimbursement Allowance – Tax moneys received from retail pharmacies to be used for funding payments under the Medicaid fee-for-service and managed care programs.

Medicaid Managed Care Organization Reimbursement Allowance – Moneys received from Medicaid managed care organizations to be used for providing payments to Medicaid managed care organizations.

Title XIX–Patient Placement – General Revenue – Moneys received from the federal government to be used for medical assistance to eligible recipients pursuant to Title XIX.

State Treasurer’s General Operations – Accounts for moneys received to pay for responsibilities of the state treasurer.

Child Support Enforcement Collections – Moneys received from individuals to be used for the expenditures of the Division of Child Support Enforcement.

Missouri Technology Investment – Moneys received from various sources to be used for technology development programs.

Missouri Water Development – General Revenue moneys to be used to purchase water supply storage.

General Revenue Reimbursements – Federal moneys received by the Department of Mental Health and the Department of Social Services to be used by the Department of Mental Health as appropriated.

Missouri Humanities Council Trust – Moneys from various sources to be used for promotion of the humanities.

Nursing Facility Federal Reimbursement Allowance – Tax moneys used for expenditures of nursing facilities.

Post Closure – Moneys from forfeited collateral to be used for costs related to closure and post closure activities of landfills.

Attorney General’s Court Costs – General Revenue moneys to be used for the payment of court costs.

Attorney General’s Anti-Trust – General Revenue moneys to be used for expenses related to anti-trust activities.

State Elections Subsidy – Appropriated moneys to be used for payment of advance election costs.

State Legal Expense – General Revenue, Transportation, and Conservation moneys to be used for claims against state departments or employees.

General Fund – Federal: Accounts for moneys received or reimbursed by the federal government to cover costs of federally funded grants and programs. Each program or grant has its own fund to account for its operations as follows:

Vocational Rehabilitation – Federal
Elementary and Secondary Education –
Federal and Other
General Assembly – Federal
Division of Youth Services –
Federal and Other
Office of the State Public Defender –
Federal and Other
Pharmacy Rebates
State Auditor – Federal
Department of Higher Education – Federal
Department of Labor and Industrial
Relations – Commission on Human
Rights – Federal
Department of Economic Development –
Community Development Block Grant
(Passthrough)
Department of Economic Development –
Women’s Council – Federal
Third Party Liability Collections
Department of Public Safety – Juvenile
Accountability Incentive Block Grant
Department of Labor and Industrial
Relations Administrative
Department of Economic Development –
Community Development Block Grant
(Administration)
Multimodal Operations – Federal
Department of Elementary and Secondary
Education – Medicaid
Department of Economic Development –
Federal and Other
Department of Corrections – Federal
Department of Revenue – Federal
Department of Agriculture –
Federal and Other
Office of Administration – Federal and Other
Attorney General – Federal and Other
Supreme Court – Federal and Other
Department of Economic Development –
Missouri Council of the Arts –
Federal and Other
Department of Natural Resources –
Federal and Other

Department of Economic Development –
Management Information Systems –
Federal and Other
Department of Health – Federal
State Emergency Management –
Federal and Other
Mental Health Intergovernmental Transfer
Department of Mental Health – Federal
Department of Transportation –
Highway Safety
National Endowment for the Humanities
Save America’s Treasures
Department of Public Safety – Federal
Division of Aging – Federal and Other
Homeland Security
Job Development and Training
Department of Social Services – Federal and Other
Election Administration Improvement
Election Improvement Revolving Loan
Title XIX – Federal
Office of Administration – Information
Technology – Federal and Other
Division of Family Services Donations
Division of Aging Donations
Medicaid Fraud Reimbursements
Revenue Sharing Trust
Missouri Veterans Commission – Federal
MCSAP/Division of Transportation – Federal
Division of Labor Standards – Federal
Assistive Technology - Federal
Federal and Other
Adjutant General – Federal
Department of Labor and Industrial Relations –
Crime Victims – Federal
Federal – MDI
Federal Drug Seizure
Secretary of State – Federal
Community Service Commission – Federal and Other
Temporary Assistance for Needy Families – Federal
Division of Family Services – Administrative
Missouri Disaster
Abandoned Mined Reclamation
Unemployment Compensation Administration
Justice Assistance Grant Program

**STATE OF MISSOURI
BALANCE SHEET
GENERAL FUND
June 30, 2007
(In Thousands of Dollars)**

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2007
ASSETS				
Cash and Cash Equivalents	\$ 347,543	\$ 36,759	\$ ---	\$ 384,302
Investments	1,278,632	160,993	---	1,439,625
Accounts Receivable, Net	870,390	545,268	---	1,415,658
Interest Receivable	23,252	405	---	23,657
Due from Other Funds	1	300	(1)	300
Inventories	22,912	1,105	---	24,017
Total Assets	<u>\$ 2,542,730</u>	<u>\$ 744,830</u>	<u>\$ (1)</u>	<u>\$ 3,287,559</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 360,474	\$ 454,006	\$ ---	\$ 814,480
Accrued Payroll	44,207	13,473	---	57,680
Due to Other Funds	2,935	1,917	(1)	4,851
Deferred Revenue	389,424	45,077	---	434,501
Arbitrage Liability	39	---	---	39
Escheat/Unclaimed Property	95,776	---	---	95,776
Total Liabilities	<u>892,855</u>	<u>514,473</u>	<u>(1)</u>	<u>1,407,327</u>
Fund Balances:				
Reserved for:				
Budget Reserve	539,133	---	---	539,133
Inventories	22,912	1,105	---	24,017
Forfeited Assets	788	---	---	788
Taxes	3,942	---	---	3,942
Unreserved	1,083,100	229,252	---	1,312,352
Total Fund Balances	<u>1,649,875</u>	<u>230,357</u>	<u>---</u>	<u>1,880,232</u>
Total Liabilities and Fund Balances	<u>\$ 2,542,730</u>	<u>\$ 744,830</u>	<u>\$ (1)</u>	<u>\$ 3,287,559</u>

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2007
Revenues:				
Taxes	\$ 7,684,586	\$ ---	\$ ---	\$ 7,684,586
Licenses, Fees, and Permits	75,235	141	---	75,376
Sales	10,800	1,207	---	12,007
Leases and Rentals	22	---	---	22
Services	87,131	142,851	---	229,982
Contributions and Intergovernmental	1,380,725	5,678,092	(1)	7,058,816
Investment Earnings:				
Net Increase (Decrease) in the Fair				
Value of Investments	3,337	505	---	3,842
Interest	89,166	2,371	---	91,537
Penalties and Unclaimed Properties	43,676	131	---	43,807
Cost Reimbursement/Miscellaneous	35,597	127,592	---	163,189
Total Revenues	9,410,275	5,952,890	(1)	15,363,164
Expenditures:				
Current:				
General Government	540,322	93,444	---	633,766
Education	967,372	846,546	---	1,813,918
Natural and Economic Resources	41,120	233,286	---	274,406
Transportation and Law Enforcement	92,716	244,957	---	337,673
Human Services	4,496,641	4,400,274	(1)	8,896,914
Capital Outlay:				
Current Expenditures	63,107	38,229	---	101,336
Capital Lease Purchases	3,462	670	---	4,132
Debt Service:				
Principal	42,781	669	---	43,450
Interest	44,449	819	---	45,268
Bond Issuance Cost	125	---	---	125
Underwriter's Discount	247	---	---	247
Total Expenditures	6,292,342	5,858,894	(1)	12,151,235
Excess Revenues (Expenditures)	3,117,933	93,996	---	3,211,929
Other Financing Sources (Uses):				
Proceeds from Capital Leases	3,462	670	---	4,132
Proceeds from General				
Obligation/Other Bonds	120,000	---	---	120,000
Payments to Escrow Agents	(1,069)	---	---	(1,069)
Bond Premium	3,919	---	---	3,919
Transfers In	94,260	4,363	(50,564)	48,059
Transfers Out	(3,023,355)	(47,299)	50,564	(3,020,090)
Total Other Financing				
Sources (Uses)	(2,802,783)	(42,266)	---	(2,845,049)
Net Change in Fund Balances	315,150	51,730	---	366,880
Fund Balances – Beginning	1,335,918	178,481	---	1,514,399
Increase (Decrease) in Reserve for Inventory	(1,193)	146	---	(1,047)
Fund Balances – Ending	\$ 1,649,875	\$ 230,357	\$ ---	\$ 1,880,232

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2007
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2007
ASSETS					
Cash and Cash Equivalents	\$ 56,703	\$ 33,419	\$ 5,105	\$ 104	\$ 95,331
Investments	255,673	68,589	15,721	65,412	405,395
Accounts Receivable, Net	28,332	---	---	---	28,332
Interest Receivable	1,949	1,366	357	6	3,678
Due from Other Funds	719	---	---	---	719
Inventories	208	---	---	---	208
Loans Receivable	464	---	---	---	464
Total Assets	<u>\$ 344,048</u>	<u>\$ 103,374</u>	<u>\$ 21,183</u>	<u>\$ 65,522</u>	<u>\$ 534,127</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 33,685	\$ ---	\$ 36	\$ ---	\$ 33,721
Accrued Payroll	3,234	---	44	---	3,278
Due to Other Funds	708	---	1	---	709
Deferred Revenue	5,248	778	204	3	6,233
Total Liabilities	<u>42,875</u>	<u>778</u>	<u>285</u>	<u>3</u>	<u>43,941</u>
Fund Balances:					
Reserved for Inventories	208	---	---	---	208
Reserved for Debt Service	---	102,596	---	---	102,596
Reserved for Loans Receivable	464	---	---	---	464
Reserved for Trust Principal	---	---	---	65,431	65,431
Unreserved	300,501	---	20,898	88	321,487
Total Fund Balances	<u>301,173</u>	<u>102,596</u>	<u>20,898</u>	<u>65,519</u>	<u>490,186</u>
Total Liabilities and Fund Balances	<u>\$ 344,048</u>	<u>\$ 103,374</u>	<u>\$ 21,183</u>	<u>\$ 65,522</u>	<u>\$ 534,127</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Totals				
	Special Revenue	Debt Service	Capital Projects	Permanent	June 30, 2007
Revenues:					
Taxes	\$ 137,731	\$ ---	\$ ---	\$ ---	\$ 137,731
Licenses, Fees, and Permits	169,478	---	---	---	169,478
Sales	2,789	---	---	---	2,789
Leases and Rentals	205	---	---	---	205
Services	191	---	---	---	191
Contributions and Intergovernmental	19,858	---	3,101	---	22,959
Investment Earnings:					
Net Increase (Decrease) in the Fair					
Value of Investments	1,373	179	164	6,182	7,898
Interest	19,958	4,542	2,149	34	26,683
Penalties and Unclaimed Properties	8,386	---	---	8,246	16,632
Cost Reimbursement/Miscellaneous	172,908	---	---	1	172,909
Total Revenues	532,877	4,721	5,414	14,463	557,475
Expenditures:					
Current:					
General Government	38,547	---	170	---	38,717
Education	6,645	---	---	---	6,645
Natural and Economic Resources	212,077	---	18,969	---	231,046
Transportation and Law Enforcement	38,707	---	2,657	---	41,364
Human Services	199,911	---	204	35	200,150
Capital Outlay:					
Current Expenditures	7,061	---	31,483	---	38,544
Debt Service:					
Principal	658	55,420	---	---	56,078
Interest	386	33,998	---	---	34,384
Total Expenditures	503,992	89,418	53,483	35	646,928
Excess Revenues (Expenditures)	28,885	(84,697)	(48,069)	14,428	(89,453)
Other Financing Sources (Uses):					
Transfers In	87,161	94,543	6,000	---	187,704
Transfers Out	(81,446)	---	---	---	(81,446)
Total Other Financing					
Sources (Uses)	5,715	94,543	6,000	---	106,258
Net Change in Fund Balances	34,600	9,846	(42,069)	14,428	16,805
Fund Balances – Beginning	266,515	92,750	62,967	51,091	473,323
Increase (Decrease) in Reserve					
for Inventory	58	---	---	---	58
Fund Balances – Ending	\$ 301,173	\$ 102,596	\$ 20,898	\$ 65,519	\$ 490,186



*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration: Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

<i>Hearing Instrument Specialist</i>	<i>Board of Pharmacy</i>
<i>State Committee of Interpreters</i>	<i>Missouri Real Estate Commission</i>
<i>Board of Geologist Registration</i>	<i>Veterinary Medical Board</i>
<i>Missouri Commission for the Deaf</i>	<i>Committee of Professional Counselors</i>
<i>Board of Certification of Interpreters</i>	<i>Dental Board</i>
<i>Real Estate Appraisers</i>	<i>State Board of Architects, Engineers and Land Surveyors</i>
<i>Clinical Social Workers</i>	<i>Athletic</i>
<i>State Committee of Psychologists</i>	<i>Athletic Agent</i>
<i>Board of Accountancy</i>	<i>Cosmetology and Barber Exam</i>
<i>Board of Barber Examiners</i>	<i>Marital and Family Therapists'</i>
<i>State Board of Podiatric Medicine</i>	<i>Respiratory Care Practitioners</i>
<i>Board of Chiropractic Examiners</i>	<i>Board of Occupational Therapy</i>
<i>Board of Cosmetology</i>	<i>Dietitian</i>
<i>Board of Embalmers and Funeral Directors</i>	<i>Interior Designer Council</i>
<i>Board of Registration for Healing Arts</i>	<i>Acupuncturist</i>
<i>Board of Nursing</i>	<i>Tattoo</i>
<i>Board of Optometry</i>	<i>Massage Therapy</i>

Judicial Protection and Assistance: Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Missouri Crime Prevention Information and Programming – Accounts for moneys from various sources to be used by local government/school district partnerships to operate crime prevention programs.

Statewide Court Automation – Accounts for additional court costs assessed in certain cases. Moneys are used for a statewide court automation system.

Missouri CASA – Accounts for money to be used for Court Appointed Special Advocate (CASA) Programs.

State Forensic Laboratory – Accounts for moneys used to defray costs of registered laboratories.

Services to Victims – Accounts for fees assessed as costs in criminal cases. Moneys are used to provide services to victims of crimes.

Tort Victims' Compensation – Accounts for a portion of any final judgment awarding punitive damages after the deduction of attorneys' fees and expenses.

Merchandising Practices Revolving – Accounts for general revenues and moneys required to be deposited in this fund. These moneys are used to pay costs incurred by the Attorney General in cases concerning merchandising practices.

Legal Defense and Defender – Accounts for moneys from services rendered. The moneys are used for training public defenders and for other lawful expenses as authorized by the Public Defender Commission.

Criminal Record System – Accounts for fees collected from federal and non-state agencies for administering criminal history record information and fingerprint searches.

Missouri Office of Prosecution Services – Accounts for fees assessed as costs in most criminal proceedings. These moneys are used to assist the prosecuting attorneys throughout the State in their efforts against criminal activity.

Crime Victims' Compensation – Accounts for fees assessed as costs against a convicted criminal. These moneys are used to compensate victims of crime.

Drug Court Resources – Accounts for moneys available for distribution by the Drug Courts Coordinating Commission to the various drug courts operating within the State.

Legal Services for Low Income People – Accounts for moneys to be used to provide legal services for individuals with low income.

Investors Restitution – Accounts for fines collected relating to securities fraud to be used to reimburse the victims of the fraudulent acts.

Basic Civic Legal Services – Accounts for filing fees received on civil and criminal court cases to be disbursed to State legal services organizations that provide legal representation to low-income individuals.

Attorney General Trust Fund – Accounts for moneys received from court settlements to be paid to entities or individuals.

Child Labor Enforcement – Accounts for moneys to be used for investigations and enforcement of child labor laws.

Inmate Incarceration Reimbursement Act Revolving – Accounts for moneys collected for reimbursement of the expenses of the State for the cost of care of offenders.

State Courts Administration Revolving – Accounts for moneys received for registration fees, grants, or other sources to be used to provide training and purchase goods and services related to the training and education of court personnel.

Criminal Justice Network and Technology Revolving – Accounts for moneys to be used for the procurement of telecommunications and computer equipment, services, and software associated with connection to the criminal justice network.

Missouri Office of Prosecution Services Revolving – Accounts for moneys received by or on behalf of the Missouri Office of Prosecution Services.

Judiciary Education and Training – Accounts for fees collected to be used for training and education of judicial personnel.

Agriculture and State Fair: Provides for inspections of products, market development, and awards for competition at the State Fair.

Animal Health Laboratory Fee – Accounts for laboratory fees to be used to defray expenses of diagnosing animal disease.

Animal Care Reserve – Accounts for fees from businesses engaged in breeding, selling, and caring for cats and dogs to be used to administer the Animal Care Program.

Livestock Brands – Accounts for fees collected for brand applications, transfer of brand ownership, and maintenance of brands. The fees are used by the Division of Animal Health for program administration.

Commodity Council Merchandising – Accounts for fees imposed under the Commodity Merchandising Program for the use and benefit of the commodity councils.

Missouri Qualified Fuel Ethanol Producer Incentive – Accounts for moneys used to provide subsidies to Missouri qualified fuel ethanol producers.

Aquaculture Marketing Development – Accounts for fees collected on fish food purchased by commercial producers and used for the marketing of fish and fish products.

Livestock Sales and Markets Fees – Accounts for license fees collected for the licensing of livestock sales and markets used for the benefit of the Division of Animal Health.

Missouri Breeders – Accounts for moneys received for horse racing application and handling fees.

Apple Merchandising – Accounts for fees imposed on apples grown in the State which are sold for consumption. These moneys are used only for the costs of administering and enforcing laws concerning apple merchandising.

Livestock Dealer Law Enforcement and Administration – Accounts for penalties assessed for violations of the "Missouri Livestock Dealer Law" and is used for the benefit of the Division of Animal Health.

Milk Inspection Fees – Accounts for fees received from State milk inspections and is used to pay the costs of performing this inspection.

Grain Inspection Fees – Accounts for fees received for providing grain inspection services and is used to pay the cost of providing this service.

Marketing Development – Accounts for moneys received by the Department of Agriculture from any source to be spent for marketing development only.

Organic Production and Certification Fee – Accounts for fees collected for certification or participation in organic farming to be used by the Department of Agriculture to develop standards and labeling for organic farming purposes.

Missouri Qualified Biodiesel Producer Incentive – Accounts for moneys appropriated from funds other than general revenue funds to provide economic subsidies to Missouri qualified biodiesel producers.

Missouri Wine and Grape Fund – Accounts for revenue derived from the privilege of selling wine. Moneys shall be used for marketing development in developing programs for growing, selling, and marketing of grape products grown in Missouri.

Boll Weevil Suppression and Eradication – Accounts for moneys for a sound program of eradication and suppression of the boll weevil.

Missouri Wine Marketing and Research Development – Accounts for pro rata charges to commercial grape producers in Missouri to be used for enology research, education, and marketing of wine produced in Missouri.

Agriculture Development – Accounts for assets from the Federal Secretary of Agriculture and earnings from those assets to be used for agricultural development in accordance with a written agreement with the U.S. Department of Agriculture.

State Fair Trust – Accounts for moneys received as gifts, grants, legacies, or devises to be used as prizes to the winners of five-gaited saddle horse stakes at the State Fair.

Social Assistance: Provides financial, health, and other services to qualifying individuals.

Utilicare Stabilization – Moneys from various sources to be used for financial assistance of heating and cooling costs for the needy.

Health Care Technology – Moneys in this fund will consist of donations, gifts, money appropriated by the general assembly, and bequests. Social Services will be the administrator of this fund. Moneys shall be used to promote technological advances.

Motorcycle Safety Trust – Accounts for fees collected from persons who violate laws relating to motorcycles or cause accidents involving motorcycles.

Compulsive Gamblers – Accounts for moneys received from cities and counties that have licensed excursion gambling boats. These moneys are used to provide services for compulsive gamblers and their families.

Missouri Housing Trust – Accounts for moneys received from any source to be used for loans or grants for assistance to low-income families.

Health Initiatives – Accounts for additional taxes on cigarettes and other moneys to fund health care incentives and other programs.

Health Access Incentive – Accounts for moneys appropriated and received by law to be used to implement a program to provide incentives in exchange for location of health providers who agree to serve all persons in need of health services regardless of ability to pay.

Mental Health Housing Trust – Accounts for moneys received from the sale of surplus real property formerly used by the Department of Mental Health. Moneys are used for the construction or renovation of Mental Health Centers, or to finance the rental, purchase, construction, or renovation of community based housing for clients.

Independent Living Center – Accounts for fees received from persons convicted of or pleading guilty to a drug-related or an intoxicated-related traffic offense. Moneys are used to establish and maintain independent living centers for persons with disabilities.

Mental Health Earnings – Accounts for fees assessed on individuals due to alcohol and drug-related traffic offenses. Moneys are used to develop and certify alcohol related traffic offender programs and provide rehabilitation services to persons unable to pay.

Division of Aging Elderly Home Delivered Meals Trust – Accounts for moneys contributed by taxpayers and other designated moneys to be used in preparing and delivering meals to elderly persons.

Missouri Public Health Services – Accounts for fees collected for health purposes.

Deaf Relay Service and Equipment Distribution Program – Accounts for fees collected to fund a program that provides a telecommunications device for the deaf to transmit messages over basic telephone lines.

Veterans' Trust – Accounts for moneys contributed by taxpayers, grants, gifts, bequests, federal sources, or other sources to be used for the benefit of the State's veterans.

Medical School Loan and Loan Repayment Program – Accounts for moneys used to pay the principal, interest, and related costs of government and commercial loans on behalf of individuals working in a specified area of need.

Children's Service Commission – Accounts for gifts and grants from various sources to be spent for children's services as provided by law.

Handicapped Children's Trust – Accounts for grants, gifts, donations, or bequests to be spent as requested by the donor of the Handicapped Children's Trust Fund.

Blind Pension – Accounts for State property tax moneys used to provide a pension to certain blind people.

Healthy Families Trust Funds – To account for moneys received from the Tobacco Settlement.

Department of Health – Donated – Accounts for moneys received from donations and spent for various health programs.

Children's Trust – Accounts for grants or gifts from any source used to establish programs to prevent or alleviate child abuse or neglect.

ADA Compliance – Accounts for moneys from various funds to be used for projects to comply with the Americans with Disabilities Act.

Head Injury – Accounts for fees, grants, donations, and other moneys designated for the Head Injury Fund. Moneys are spent by the Head Advisory Council to help support individuals with traumatic head injury and their families by providing a wide range of services.

Missouri Commission for the Deaf and Hard of Hearing – Accounts for fees and contributions received by the Commission to provide goods and services to government entities or the public.

Life Sciences Research Trust – Accounts for moneys received from the Tobacco Master Settlement Agreement. For the purposes of enhancing the capacity of the State of Missouri to perform life sciences research, build upon existing research institutions, and commercialize life sciences technologies.

Missouri Rx Plan – Accounts for moneys received for administration of the Missouri Rx Plan.

Putative Father Registry – Accounts for filing fees paid for the petition for adoption.

Missouri Assistive Technology – Accounts for gifts, donations, grants, and bequests from individuals, private organizations, foundations, or other sources granted or given for the specific purpose of assistive technology. Moneys used to establish and maintain assistive technology programs.

Part C Early Intervention – Accounts for moneys to fund the Infant and Toddler Program, Part C of the Individuals with Disabilities Education Act. The federal program provides early intervention services to infants and toddlers determined eligible under state regulations. Payments for provisions shall be paid in manner prescribed by the lead agency.

Organ Donor Program – Accounts for moneys used to implement organ donor awareness programs.

Property Reuse – Accounts for moneys appropriated and gifts, contributions, grants, or bequests from federal, private, or other sources for direct loans, guarantees, and grants to create and preserve jobs, attract and retain businesses, and improve economic welfare.

Domestic Relations Resolution – Accounts for moneys received from surcharges and fines for disputes in marriage dissolutions and custody orders. Moneys are used for creating and approving a handbook dealing with divorce and child custody and to reimburse local judicial circuits for the costs associated with the implementation of this act.

Correctional Substance Abuse Earnings – Accounts for fees charged to persons required by the court to begin an Educational Assessment and Community Treatment Program. Moneys are used solely for assistance in securing alcohol and drug rehabilitation services.

Assistive Technology Loan Revolving – Accounts for appropriated moneys to be used for loans to qualified individuals for the purchase of assistive technology devices and services.

Blindness Education, Screening and Treatment Program – Accounts for donated moneys used to provide blindness prevention education, screenings, and treatments for persons not covered under a healthcare benefit plan.

Childhood Lead Testing – Accounts for federal or other contributions received to fund childhood lead programs, blood tests to uninsured children, educational materials, and case management.

Missouri National Guard Trust – Accounts for moneys received through contributions, gifts, bequests, grants and federal funds to be used for providing military honors at veterans' burials, interments, or memorial services.

School for the Blind – Accounts for grants, gifts, donations, or bequests for the sole use of the Missouri School for the Blind.

School for the Deaf – Accounts for grants, gifts, donations, or bequests for the sole use of the Missouri School for the Deaf.

Governor's Council on Physical Fitness – Institution Gift Trust – Accounts for gifts, bequests, or donations to the Governor's Council on Physical Fitness to be spent as requested by the donor.

Institution Gift Trust – Accounts for grants, gifts, donations, devises, or bequests to various institutions to be spent as requested by the donor.

Mental Health Trust – Accounts for moneys to be used for the purpose of carrying out the objects for which the grants, gifts, donations, or bequests were made, or for the purposes of funding special projects or purchasing special equipment from escheated moneys.

Crippled Children's Services – Accounts for moneys from various sources to be used for costs of crippled children's services.

Unemployment and Workers' Compensation: Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Workers' Compensation – Accounts for taxes paid by insurance carriers and is used for victims of industrial injuries.

Workers' Compensation – Second Injury – Accounts for taxes paid by insurance carriers and is used for victims of industrial injuries where permanent disability occurs.

Special Employment Security – Bond Proceeds – Accounts for bond proceeds to pay unemployment benefits, maintain adequate balance in the Unemployment Compensation Fund, and to refinance loans from the federal Unemployment Trust Fund.

Special Employment Security – Accounts for moneys paid as interest and penalties by the employer for unemployment fees not paid. These moneys are used to pay interest on advances from the federal government and for other costs necessary and proper under the unemployment compensation laws.

Reimbursements and Other: Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

Treasurer's Information – Accounts for funds received for the preparation, reproduction, or dissemination of information or publications.

Elevator Safety Board – Accounts for moneys collected for inspections, permits, licenses, and certificates to be used for the operation and expenses of the board.

Residential Mortgage Licensing – Accounts for fees set and collected for application fees, investigation of license applicant fees, examination fees, contingent fees, and any other miscellaneous fee.

Missouri Arts Council Trust – Accounts for moneys to be used for the administration of the Missouri Arts Council.

Secretary of State's Technology Trust – Accounts for fees received from the issuance of notary commissions to be used for establishing and maintaining a data processing system and other administrative costs for services.

Missouri National Guard Training Site – Accounts for fees collected for use of training sites from persons or organizations not connected with the militia. The moneys are used for operating costs of the facilities.

Nursing Facility Quality of Care – Accounts for certification fees collected from nursing home facilities to be used for assistance to the facilities and for conducting surveys and inspections.

Division of Tourism Supplemental Revenue – Accounts for additional sales tax collected from tourism-oriented goods and services to be used for promotional marketing strategies.

Business Extension Service Team – Accounts for moneys used to help Missouri companies in financial difficulty regain financial stability by a plan developed by a team of knowledgeable and experienced persons.

Gaming Commission – Accounts for moneys received from licenses, fees, and permits to be used to fund the administrative costs of the Gaming Commission.

Mammography – Accounts for fees collected from licensing of specific sources of ionizing radiation and from other nonrefundable fees collected in connection with mammography authorization to be used for program administration.

Statutory Revision – Accounts for moneys received from the sale of the Revised Statutes of Missouri and supplements and from fees for any services rendered by the Committee on Legislative Research. The moneys are used for enhancing or producing the statutes and supplements.

Division of Credit Unions – Accounts for moneys assessed on credit unions and used for costs related to their regulation.

Division of Savings and Loan Supervision – Accounts for moneys assessed on savings and loan associations and other corporations and used for costs related to their regulation.

Division of Finance – Accounts for moneys assessed on banks, trust companies, and other corporations and used for costs related to their regulation.

Insurance Examiners – Accounts for fees assessed against organizations which are engaged in the business of insurance within the State. The moneys are used for costs incurred by insurance examiners.

Design and Construction – Donated – Accounts for donations to be used for the repair, replacement, and refurbishing of artwork, statuary work, and monuments of historical importance to Missouri.

Endowed Care Cemetery Audit – Accounts for fees from the issuance of birth and death certificates. The moneys are used to administer the auditing of endowed care cemetery funds.

Department of Insurance Dedicated – Accounts for moneys from licensing, renewals, and regulatory fees and used for expenditures of the Department of Insurance.

International Promotions Revolving – Accounts for moneys from gifts, contributions, grants, and other sources and is used for costs associated with attendance at international trade shows.

Local Records Preservation – Accounts for moneys charged and collected for the recording of various deeds and documents and used by the Secretary of State for additional preservation of local records.

Spinal Cord Injury – Accounts for moneys to be used to fund research projects that promote an advancement of knowledge in the area of spinal cord injury.

Manufactured Housing – Accounts for fees collected for seals or inspection of manufacturing and dealer premises for manufactured homes, recreational vehicles, and modular homes.

Motor Vehicle Commission – Accounts for fees established by the Missouri Motor Vehicle Commission to pay its operational costs.

Health Spa Regulatory – Accounts for health spa registration fees. These moneys are used to administer the regulation of health spas.

Missouri Main Street Program – Accounts for moneys appropriated and gifts, contributions, grants, or bequests from federal, private, or other sources to accomplish community and economic revitalization and development of older business districts and neighborhoods.

Public Service Commission – Accounts for moneys assessed on public utilities and used for costs related to their regulation.

Department of Health Document Services – Accounts for fees collected for publications and used to pay the costs of providing this information.

Petition Audit Revolving Trust – Accounts for moneys received and costs incurred as a result of audits petitioned by the requisite percentage of the qualified voters of a subdivision.

Tourism Marketing – Accounts for receipts from promotional items and used for the marketing of items which promote and develop tourism in the State.

Petroleum Inspection – Accounts for fees collected for inspections of petroleum products and equipment. The fees are used for costs of administering, regulating, testing, and inspecting these products and equipment.

Missouri Horse Racing Commission – Accounts for all revenues generated from the licensing of race tracks and authorization of races and pari-mutuel wagering pools.

Missouri Senior Rx – Accounts for moneys collected to be used by the commission for medical assistance to seniors covered under the Missouri Senior Rx program.

Boiler and Pressure Vessels Safety – Accounts for licenses, permits, and fees established by the Boiler and Pressure Vessels Safety Board for the purpose of regulating boiler and pressure vessels.

Korean Conflict Veterans' Recognition Award – Accounts for moneys to sponsor medallions, medals, and certificates for veterans who served in the Korean Conflict.

Missouri State Archives – St. Louis Trust – Accounts for moneys received for copying public records, and for providing public access to public records and images, or other sources.

Economic Development Advancement – Accounts for moneys from a fee charged to the recipient of any tax credits issued by the department, in an amount up to two and one-half percent of the amount of tax credits issued.

Secretary of State's Investor Education – Accounts for moneys to be used as a source of funding in support of activities related to the Secretary of State's investor education responsibilities.

State Document Preservation – Accounts for moneys to be used to preserve State documents and making them available to the public.

Missouri Supplemental Tax Increment Financing – Accounts for moneys generated by redevelopment projects and income taxes withheld by jobs created by redevelopment projects to be used to pay loans for the project.

Premium – Accounts for moneys received from parents or guardians of uninsured children.

Missouri Public Broadcasting Corporation Special – Accounts for a transfer of funds from General Revenue, which consists of 10% of the annual estimate of generated taxes from nonresident professional athletic team and entertainer income tax. Public television stations will receive these funds in the form of annual operating and basic service grants.

World War II Memorial Trust – Accounts for contributions to be used to participate in the funding of the National World War II Memorial.

Workers Memorial – Accounts for contributions to be used for a memorial for workers who have been killed or permanently disabled and reimbursement of expenses to committee members.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2007
ASSETS							
Cash and Cash Equivalents	\$ 8,882	\$ 5,012	\$ 623	\$ 18,678	\$ 12,514	\$ 10,994	\$ 56,703
Investments	37,910	21,475	6,329	89,177	53,743	47,039	255,673
Accounts Receivable, Net	---	1,624	100	4,643	19,524	2,441	28,332
Interest Receivable	---	173	57	534	744	441	1,949
Due from Other Funds	---	40	---	---	---	679	719
Inventories	26	24	---	---	---	158	208
Loans Receivable	---	---	464	---	---	---	464
Total Assets	\$ 46,818	\$ 28,348	\$ 7,573	\$ 113,032	\$ 86,525	\$ 61,752	\$ 344,048
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 211	\$ 736	\$ 801	\$ 2,167	\$ 24,895	\$ 4,875	\$ 33,685
Accrued Payroll	190	365	79	254	405	1,941	3,234
Due to Other Funds	14	156	10	157	214	157	708
Deferred Revenue	---	141	14	2,060	2,581	452	5,248
Total Liabilities	415	1,398	904	4,638	28,095	7,425	42,875
Fund Balances:							
Reserved for:							
Inventories	26	24	---	---	---	158	208
Loans Receivable	---	---	464	---	---	---	464
Unreserved	46,377	26,926	6,205	108,394	58,430	54,169	300,501
Total Fund Balances	46,403	26,950	6,669	108,394	58,430	54,327	301,173
Total Liabilities and Fund Balances	\$ 46,818	\$ 28,348	\$ 7,573	\$ 113,032	\$ 86,525	\$ 61,752	\$ 344,048

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2007
Revenues:							
Taxes	\$ 174	\$ ---	\$ 1,286	\$ 60,868	\$ 75,403	\$ ---	\$ 137,731
Licenses, Fees, and Permits	16,994	28,393	3,687	21,556	---	98,848	169,478
Sales	---	4	12	1,126	1,050	597	2,789
Leases and Rentals	---	---	---	205	---	---	205
Services	---	184	---	---	---	7	191
Contributions and Intergovernmental	---	163	32	19,212	---	451	19,858
Investment Earnings:							
Net Increase (Decrease) in the Fair							
Value of Investments	125	82	168	649	213	136	1,373
Interest	---	398	78	2,493	14,887	2,102	19,958
Penalties and Unclaimed Properties	376	4,422	---	33	2,952	603	8,386
Cost Reimbursement/Miscellaneous	240	2,118	53	140,323	252	29,922	172,908
Total Revenues	<u>17,909</u>	<u>35,764</u>	<u>5,316</u>	<u>246,465</u>	<u>94,757</u>	<u>132,666</u>	<u>532,877</u>
Expenditures:							
Current:							
General Government	226	21,470	143	2,801	5,860	8,047	38,547
Education	84	---	1	6,152	4	404	6,645
Natural and Economic Resources	15,686	6,972	23,644	8,739	91,367	65,669	212,077
Transportation and Law Enforcement	---	13,686	---	5,405	1	19,615	38,707
Human Services	2	---	6	189,790	21	10,092	199,911
Capital Outlay:							
Current Expenditures	248	2,476	80	574	742	2,941	7,061
Debt Service:							
Principal	---	69	---	37	68	484	658
Interest	---	51	---	7	53	275	386
Total Expenditures	<u>16,246</u>	<u>44,724</u>	<u>23,874</u>	<u>213,505</u>	<u>98,116</u>	<u>107,527</u>	<u>503,992</u>
Excess Revenues (Expenditures)	<u>1,663</u>	<u>(8,960)</u>	<u>(18,558)</u>	<u>32,960</u>	<u>(3,359)</u>	<u>25,139</u>	<u>28,885</u>
Other Financing Sources (Uses):							
Transfers In	59	6,621	17,984	36,793	---	25,704	87,161
Transfers Out	(628)	---	---	(35,503)	(50)	(45,265)	(81,446)
Total Other Financing Sources (Uses)	<u>(569)</u>	<u>6,621</u>	<u>17,984</u>	<u>1,290</u>	<u>(50)</u>	<u>(19,561)</u>	<u>5,715</u>
Net Change in Fund Balances	1,094	(2,339)	(574)	34,250	(3,409)	5,578	34,600
Fund Balances – Beginning	45,309	29,266	7,243	74,149	61,839	48,709	266,515
Increase (Decrease) in Reserve for Inventory	---	23	---	(5)	---	40	58
Fund Balances – Ending	<u>\$ 46,403</u>	<u>\$ 26,950</u>	<u>\$ 6,669</u>	<u>\$ 108,394</u>	<u>\$ 58,430</u>	<u>\$ 54,327</u>	<u>\$ 301,173</u>

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance			Agriculture and State Fair			Social Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 35,705	\$ 34,732	\$ (973)
Liquor	---	---	---	---	---	---	1,633	1,286	(347)	---	---	---
Reimbursement/Miscellaneous	155	174	19	---	---	---	---	---	---	27,137	26,396	(741)
Total Taxes	155	174	19	---	---	---	1,633	1,286	(347)	62,842	61,128	(1,714)
Licenses, Fees, and Permits	15,131	17,003	1,872	30,534	27,946	(2,588)	4,808	3,787	(1,021)	21,881	21,284	(597)
Leases and Rentals	---	---	---	---	---	---	---	---	---	223	217	(6)
Sales	---	---	---	---	---	---	15	12	(3)	1,157	1,126	(31)
Services	---	---	---	201	184	(17)	---	---	---	---	---	---
Contributions and												
Intergovernmental	1	1	---	1,384	1,267	(117)	40	32	(8)	20,915	20,345	(570)
Interest	---	---	---	420	384	(36)	77	60	(17)	2,284	2,222	(62)
Penalties and Unclaimed Property	335	377	42	4,959	4,538	(421)	---	---	---	6	5	(1)
Cost Reimbursement/												
Miscellaneous	214	240	26	2,352	2,153	(199)	336	265	(71)	144,865	140,913	(3,952)
Total Revenues	15,836	17,795	1,959	39,850	36,472	(3,378)	6,909	5,442	(1,467)	254,173	247,240	(6,933)
Expenditures:												
Current:												
General Government	19	9	10	22,932	19,634	3,298	68	49	19	5,086	3,720	1,366
Education	117	85	32	---	---	---	---	---	---	10,807	5,943	4,864
Natural and Economic Resources	9,393	7,696	1,697	8,075	6,771	1,304	26,562	22,436	4,126	11,676	8,762	2,914
Transportation and Law												
Enforcement	---	---	---	18,845	14,452	4,393	5	---	5	6,480	5,044	1,436
Human Services	---	---	---	---	---	---	---	---	---	228,157	185,152	43,005
Capital Outlay	329	245	84	2,927	2,473	454	97	80	17	700	502	198
Debt Service	---	---	---	---	---	---	---	---	---	8	6	2
Total Expenditures	9,858	8,035	1,823	52,779	43,330	9,449	26,732	22,565	4,167	262,914	209,129	53,785
Excess Revenues												
(Expenditures)	5,978	9,760	3,782	(12,929)	(6,858)	6,071	(19,823)	(17,123)	2,700	(8,741)	38,111	46,852
Other Financing Sources (Uses):												
Transfers In	202	59	(143)	6,726	6,626	(100)	18,827	17,985	(842)	31,422	36,820	5,398
Transfers Out	(11,345)	(8,900)	2,445	(2,479)	(2,287)	192	(1,182)	(871)	311	(128,462)	(41,371)	87,091
Total Other Financing												
Sources (Uses)	(11,143)	(8,841)	2,302	4,247	4,339	92	17,645	17,114	(531)	(97,040)	(4,551)	92,489
Net Change in Fund Balances	(5,165)	919	6,084	(8,682)	(2,519)	6,163	(2,178)	(9)	2,169	(105,781)	33,560	139,341
Fund Balances - Beginning	28,330	45,915	17,585	(4,665)	29,028	33,693	6,060	3,295	(2,765)	(172,101)	63,995	236,096
Fund Balances - Ending	\$ 23,165	\$ 46,834	\$ 23,669	\$ (13,347)	\$ 26,509	\$ 39,856	\$ 3,882	\$ 3,286	\$ (596)	\$ (277,882)	\$ 97,555	\$ 375,437
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(37,952)			(21,497)			(2,663)			(78,877)	
Investments at Fair Value		37,910			21,475			6,329			89,177	
Receivables		---			1,797			621			5,177	
Due from Other Funds		---			40			---			---	
Inventories		26			24			---			---	
Accounts Payable		(211)			(736)			(801)			(2,167)	
Accrued Payroll		(190)			(365)			(79)			(254)	
Due to Other Funds		(14)			(156)			(10)			(157)	
Deferred Revenue		---			(141)			(14)			(2,060)	
Fund Balance per GAAP	\$ 46,403			\$ 26,950			\$ 6,669			\$ 108,394		

This schedule is continued on pages 102-103.

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Unemployment and Workers' Compensation			Reimbursements and Other			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Taxes:									
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 35,705	\$ 34,732	\$ (973)
Liquor	---	---	---	---	---	---	1,633	1,286	(347)
Reimbursement/Miscellaneous	55,077	70,578	15,501	---	---	---	82,369	97,148	14,779
Total Taxes	55,077	70,578	15,501	---	---	---	119,707	133,166	13,459
Licenses, Fees and Permits	---	---	---	132,581	99,846	(32,735)	204,935	169,866	(35,069)
Leases and Rentals	---	---	---	---	---	---	223	217	(6)
Sales	819	1,050	231	784	590	(194)	2,775	2,778	3
Services	---	---	---	9	7	(2)	210	191	(19)
Contributions and Intergovernmental	735	942	207	499	376	(123)	23,574	22,963	(611)
Interest	11,599	14,863	3,264	2,720	2,048	(672)	17,100	19,577	2,477
Penalties and Unclaimed Property	2,304	2,952	648	800	602	(198)	8,404	8,474	70
Cost Reimbursement/Miscellaneous	3,031	3,884	853	39,571	29,801	(9,770)	190,369	177,256	(13,113)
Total Revenues	73,565	94,269	20,704	176,964	133,270	(43,694)	567,297	534,488	(32,809)
Expenditures:									
Current:									
General Government	6,920	4,096	2,824	17,601	6,186	11,415	52,626	33,694	18,932
Education	---	---	---	400	400	---	11,324	6,428	4,896
Natural and Economic Resources	98,158	90,922	7,236	70,042	52,380	17,662	223,906	188,967	34,939
Transportation and Law Enforcement	---	---	---	22,012	17,231	4,781	47,342	36,727	10,615
Human Services	---	---	---	19,701	10,893	8,808	247,858	196,045	51,813
Capital Outlay	874	738	136	6,487	2,930	3,557	11,414	6,968	4,446
Debt Service	---	---	---	52	33	19	60	39	21
Total Expenditures	105,952	95,756	10,196	136,295	90,053	46,242	594,530	468,868	125,662
Excess Revenues (Expenditures)	(32,387)	(1,487)	30,900	40,669	43,217	2,548	(27,233)	65,620	92,853
Other Financing Sources (Uses):									
Transfers In	---	---	---	27,729	25,713	(2,016)	84,906	87,203	2,297
Transfers Out	(7,929)	(6,852)	1,077	(68,803)	(62,478)	6,325	(220,200)	(122,759)	97,441
Total Other Financing Sources (Uses)	(7,929)	(6,852)	1,077	(41,074)	(36,765)	4,309	(135,294)	(35,556)	99,738
Net Change in Fund Balances	(40,316)	(8,339)	31,977	(405)	6,452	6,857	(162,527)	30,064	192,591
Fund Balances - Beginning	(7,486)	74,656	82,142	(73,971)	51,573	125,544	(223,833)	268,462	492,295
Fund Balances - Ending	\$ (47,802)	\$ 66,317	\$ 114,119	\$ (74,376)	\$ 58,025	\$ 132,401	\$ (386,360)	\$ 298,526	\$ 684,886
Reconciling Items:									
Reclassifying Cash Equivalents as Investments		(53,803)			(47,031)			(241,823)	
Investments at Fair Value		53,743			47,039			255,673	
Receivables		20,268			2,882			30,745	
Due from Other Funds		---			679			719	
Inventories		---			158			208	
Accounts Payable		(24,895)			(4,875)			(33,685)	
Accrued Payroll		(405)			(1,941)			(3,234)	
Due to Other Funds		(214)			(157)			(708)	
Deferred Revenue		(2,581)			(452)			(5,248)	
Fund Balance per GAAP	\$ 58,430			\$ 54,327			\$ 301,173		

This schedule is continued from pages 100-101.



*The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

Debt Service Funds:

Water Pollution Control Bond and Interest – Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

Third State Building Bond Interest and Sinking – Accounts for moneys used to pay the principal of the Third State Building Bonds and the interest thereon.

Fourth State Building Bond and Interest – Accounts for moneys used to pay the principal of the Fourth State Building Bonds and the interest thereon.

Stormwater Control Bond and Interest – Accounts for moneys used to pay the principal of the Stormwater Control Bonds and the interest thereon.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2007
ASSETS					
Cash and Cash Equivalents	\$ 9,237	\$ 17,482	\$ 5,815	\$ 885	\$ 33,419
Investments	18,959	35,879	11,935	1,816	68,589
Interest Receivable	378	715	237	36	1,366
	<u>378</u>	<u>715</u>	<u>237</u>	<u>36</u>	<u>1,366</u>
Total Assets	<u>\$ 28,574</u>	<u>\$ 54,076</u>	<u>\$ 17,987</u>	<u>\$ 2,737</u>	<u>\$ 103,374</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue	\$ 215	\$ 407	\$ 135	\$ 21	\$ 778
	<u>215</u>	<u>407</u>	<u>135</u>	<u>21</u>	<u>778</u>
Total Liabilities	<u>215</u>	<u>407</u>	<u>135</u>	<u>21</u>	<u>778</u>
Fund Balances:					
Reserved for Debt Service	28,359	53,669	17,852	2,716	102,596
	<u>28,359</u>	<u>53,669</u>	<u>17,852</u>	<u>2,716</u>	<u>102,596</u>
Total Fund Balances	<u>28,359</u>	<u>53,669</u>	<u>17,852</u>	<u>2,716</u>	<u>102,596</u>
Total Liabilities and Fund Balances	<u>\$ 28,574</u>	<u>\$ 54,076</u>	<u>\$ 17,987</u>	<u>\$ 2,737</u>	<u>\$ 103,374</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2007
Revenues:					
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	\$ 52	\$ 104	\$ 18	\$ 5	\$ 179
Interest	1,268	2,434	716	124	4,542
Total Revenues	1,320	2,538	734	129	4,721
Expenditures:					
Debt Service:					
Principal	11,735	41,535	1,470	680	55,420
Interest	13,626	8,974	9,499	1,899	33,998
Total Expenditures	25,361	50,509	10,969	2,579	89,418
Excess Revenues (Expenditures)	(24,041)	(47,971)	(10,235)	(2,450)	(84,697)
Other Financing Sources (Uses):					
Transfers In	25,966	49,424	16,669	2,484	94,543
Total Other Financing Sources (Uses)	25,966	49,424	16,669	2,484	94,543
Net Change in Fund Balances	1,925	1,453	6,434	34	9,846
Fund Balances – Beginning	26,434	52,216	11,418	2,682	92,750
Fund Balances – Ending	\$ 28,359	\$ 53,669	\$ 17,852	\$ 2,716	\$ 102,596

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest			Third State Building Bond Interest and Sinking			Fourth State Building Bond and Interest			Stormwater Control Bond and Interest			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:															
Interest	\$ 1,391	\$ 1,253	\$ (138)	\$ 2,633	\$ 2,403	\$ (230)	\$ 876	\$ 676	\$ (200)	\$ 133	\$ 123	\$ (10)	\$ 5,033	\$ 4,455	\$ (578)
Total Revenues	1,391	1,253	(138)	2,633	2,403	(230)	876	676	(200)	133	123	(10)	5,033	4,455	(578)
Expenditures:															
Debt Service	25,361	25,361	---	50,509	50,509	---	10,969	10,969	---	2,579	2,579	---	89,418	89,418	---
Total Expenditures	25,361	25,361	---	50,509	50,509	---	10,969	10,969	---	2,579	2,579	---	89,418	89,418	---
Excess Revenues (Expenditures)	(23,970)	(24,108)	(138)	(47,876)	(48,106)	(230)	(10,093)	(10,293)	(200)	(2,446)	(2,456)	(10)	(84,385)	(84,963)	(578)
Other Financing Sources (Uses):															
Transfers In	31,283	25,966	(5,317)	50,997	49,424	(1,573)	17,087	16,669	(418)	2,580	2,484	(96)	101,947	94,543	(7,404)
Total Other Financing Sources (Uses)	31,283	25,966	(5,317)	50,997	49,424	(1,573)	17,087	16,669	(418)	2,580	2,484	(96)	101,947	94,543	(7,404)
Net Change in Fund Balances	7,313	1,858	(5,455)	3,121	1,318	(1,803)	6,994	6,376	(618)	134	28	(106)	17,562	9,580	(7,982)
Fund Balances – Beginning	36,552	26,359	(10,193)	52,705	52,083	(622)	17,167	11,387	(5,780)	3,376	2,675	(701)	109,800	92,504	(17,296)
Fund Balances – Ending	<u>\$ 43,865</u>	<u>\$ 28,217</u>	<u>\$ (15,648)</u>	<u>\$ 55,826</u>	<u>\$ 53,401</u>	<u>\$ (2,425)</u>	<u>\$ 24,161</u>	<u>\$ 17,763</u>	<u>\$ (6,398)</u>	<u>\$ 3,510</u>	<u>\$ 2,703</u>	<u>\$ (807)</u>	<u>\$ 127,362</u>	<u>\$ 102,084</u>	<u>\$ (25,278)</u>
Reconciling Items:															
Reclassifying Cash Equivalents as Investments		(18,980)			(35,919)			(11,948)			(1,818)			(68,665)	
Investments at Fair Value		18,959			35,879			11,935			1,816			68,589	
Interest Receivable		378			715			237			36			1,366	
Deferred Revenues		(215)			(407)			(135)			(21)			(778)	
Fund Balances – GAAP Basis		<u>\$ 28,359</u>			<u>\$ 53,669</u>			<u>\$ 17,852</u>			<u>\$ 2,716</u>			<u>\$ 102,596</u>	



*The **Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.*

Non-Major Capital Projects Funds:

Veterans' Homes Capital Improvement – Accounts for fees collected from the sale of bingo cards to be used for the construction or renovation of veterans' homes and cemeteries in the State.

Water Pollution Control – Accounts for bond sale proceeds to be used for the protection of the environment through the control of water pollution.

Fourth State Building – Accounts for bond sale proceeds to be used for capital improvements of institutions of higher education, the Department of Corrections, and the Division of Youth Services.

Stormwater Control – Accounts for bond sale proceeds to be used for financing and construction of stormwater control.

Board of Public Building Revenue Bond – Accounts for bond sale proceeds to be used for renovating state buildings and structures.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2007
ASSETS						
Cash and Cash Equivalents	\$ 2,367	\$ 28	\$ 923	\$ 627	\$ 1,160	\$ 5,105
Investments	10,101	58	1,894	1,287	2,381	15,721
Interest Receivable	125	36	57	67	72	357
	<u>125</u>	<u>36</u>	<u>57</u>	<u>67</u>	<u>72</u>	<u>357</u>
Total Assets	<u>\$ 12,593</u>	<u>\$ 122</u>	<u>\$ 2,874</u>	<u>\$ 1,981</u>	<u>\$ 3,613</u>	<u>\$ 21,183</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 36	\$ ---	\$ ---	\$ ---	\$ ---	\$ 36
Accrued Payroll	44	---	---	---	---	44
Due to Other Funds	1	---	---	---	---	1
Deferred Revenue	71	21	33	38	41	204
	<u>71</u>	<u>21</u>	<u>33</u>	<u>38</u>	<u>41</u>	<u>204</u>
Total Liabilities	<u>152</u>	<u>21</u>	<u>33</u>	<u>38</u>	<u>41</u>	<u>285</u>
Fund Balances:						
Unreserved	12,441	101	2,841	1,943	3,572	20,898
	<u>12,441</u>	<u>101</u>	<u>2,841</u>	<u>1,943</u>	<u>3,572</u>	<u>20,898</u>
Total Fund Balances	<u>12,441</u>	<u>101</u>	<u>2,841</u>	<u>1,943</u>	<u>3,572</u>	<u>20,898</u>
Total Liabilities and Fund Balances	<u>\$ 12,593</u>	<u>\$ 122</u>	<u>\$ 2,874</u>	<u>\$ 1,981</u>	<u>\$ 3,613</u>	<u>\$ 21,183</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2007
Revenues:						
Contributions and Intergovernmental	\$ 3,101	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,101
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	20	23	18	31	72	164
Interest	468	274	271	451	685	2,149
Total Revenues	3,589	297	289	482	757	5,414
Expenditures:						
Current:						
General Government	131	---	---	---	39	170
Natural and Economic Resources	---	8,618	---	10,351	---	18,969
Transportation and Law Enforcement	2,653	---	---	---	4	2,657
Human Services	1	---	85	---	118	204
Capital Outlay:						
Current Expenditures	2,766	---	4,459	---	24,258	31,483
Total Expenditures	5,551	8,618	4,544	10,351	24,419	53,483
Excess Revenues (Expenditures)	(1,962)	(8,321)	(4,255)	(9,869)	(23,662)	(48,069)
Other Financing Sources (Uses):						
Transfers In	6,000	---	---	---	---	6,000
Total Other Financing Sources (Uses)	6,000	---	---	---	---	6,000
Net Change in Fund Balances	4,038	(8,321)	(4,255)	(9,869)	(23,662)	(42,069)
Fund Balances – Beginning	8,403	8,422	7,096	11,812	27,234	62,967
Fund Balances – Ending	\$ 12,441	\$ 101	\$ 2,841	\$ 1,943	\$ 3,572	\$ 20,898



*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

Permanent Funds:

Arrow Rock State Historic Site Endowment – Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

Confederate Memorial Park – Accounts for the income from investments acquired by gifts, donations, and bequests to be used for the maintenance of the Confederate Memorial Park.

State Public School – Accounts for all moneys, bonds, lands, and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

Smith Memorial Endowment Trust – Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

Missouri Investment Trust – Accounts for moneys transferred from the Missouri Arts Council Trust Fund, the Missouri Humanities Council Trust Fund, the Johnson-Travis Memorial Trust Fund, and the Secretary of State Wolfner Library Fund to be invested by the Missouri Investment Trust's Board of Trustees.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2007
ASSETS						
Cash and Cash Equivalents	\$ 5	\$ 29	\$ ---	\$ 70	\$ ---	\$ 104
Investments	20	127	32,156	299	32,810	65,412
Interest Receivable	---	2	---	4	---	6
Total Assets	<u>\$ 25</u>	<u>\$ 158</u>	<u>\$ 32,156</u>	<u>\$ 373</u>	<u>\$ 32,810</u>	<u>\$ 65,522</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred Revenue	\$ ---	\$ 1	\$ ---	\$ 2	\$ ---	\$ 3
Total Liabilities	<u>---</u>	<u>1</u>	<u>---</u>	<u>2</u>	<u>---</u>	<u>3</u>
Fund Balances:						
Reserved for Trust Principal	25	75	32,156	365	32,810	65,431
Unreserved	---	82	---	6	---	88
Total Fund Balances	<u>25</u>	<u>157</u>	<u>32,156</u>	<u>371</u>	<u>32,810</u>	<u>65,519</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 158</u>	<u>\$ 32,156</u>	<u>\$ 373</u>	<u>\$ 32,810</u>	<u>\$ 65,522</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2007
Revenues:						
Investment Earnings:						
Net Increase (Decrease) in the						
Fair Value of Investments	\$ ---	\$ ---	\$ 238	\$ 1	\$ 5,943	\$ 6,182
Interest	1	7	8	18	---	34
Penalties and Unclaimed						
Properties	---	---	8,246	---	---	8,246
Miscellaneous	---	---	---	1	---	1
Total Revenues	1	7	8,492	20	5,943	14,463
Expenditures:						
Human Services	---	---	---	35	---	35
Total Expenditures	---	---	---	35	---	35
Net Change in Fund Balances	1	7	8,492	(15)	5,943	14,428
Fund Balances – Beginning	24	150	23,664	386	26,867	51,091
Fund Balances – Ending	\$ 25	\$ 157	\$ 32,156	\$ 371	\$ 32,810	\$ 65,519

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Interest	\$ 1	\$ 1	\$ ---	\$ 7	\$ 7	\$ ---	\$ ---	\$ 1,129	\$ 1,129	\$ 18	\$ 18	\$ ---
Penalties and Unclaimed Property	---	---	---	---	---	---	---	1,433	1,433	---	---	---
Total Revenues	1	1	---	7	7	---	---	2,562	2,562	18	18	---
Expenditures:												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	35	---
Total Expenditures	---	---	---	---	---	---	---	---	---	35	35	---
Excess Revenues (Expenditures)	1	1	---	7	7	---	---	2,562	2,562	(17)	(17)	---
Other Financing Sources (Uses):												
Transfers In	---	---	---	---	---	---	6,813	6,813	---	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	6,813	6,813	---	---	---	---
Net Change in Fund Balances	1	1	---	7	7	---	6,813	9,375	2,562	(17)	(17)	---
Fund Balances – Beginning	23	24	1	149	149	---	8,030	1,186	(6,844)	315	386	71
Fund Balances – Ending	<u>\$ 24</u>	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ 156</u>	<u>\$ 156</u>	<u>\$ ---</u>	<u>\$ 14,843</u>	<u>\$ 10,561</u>	<u>\$ (4,282)</u>	<u>\$ 298</u>	<u>\$ 369</u>	<u>\$ 71</u>
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(20)			(127)			(10,561)			(299)	
Investments at Fair Value		20			127			32,156			299	
Interest Receivable		---			2			---			4	
Deferred Revenue		---			(1)			---			(2)	
Fund Balance – GAAP Basis		<u>\$ 25</u>			<u>\$ 157</u>			<u>\$ 32,156</u>			<u>\$ 371</u>	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued on page 114.

STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	\$ 26	\$ 1,155	\$ 1,129
Penalties and Unclaimed Property	---	1,433	1,433
Total Revenues	26	2,588	2,562
Expenditures:			
Current:			
Human Services	35	35	---
Total Expenditures	35	35	---
Excess Revenues (Expenditures)	(9)	2,553	2,562
Other Financing Sources (Uses):			
Transfers In	6,813	6,813	---
Total Other Financing Sources (Uses)	6,813	6,813	---
Net Change in Fund Balances	6,804	9,366	2,562
Fund Balances – Beginning	8,517	1,745	(6,772)
Fund Balances – Ending	<u>\$ 15,321</u>	<u>\$ 11,111</u>	<u>\$ (4,210)</u>
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(11,007)	
Investments at Fair Value		32,602	
Interest Receivable		6	
Deferred Revenue		(3)	
Fund Balance – GAAP Basis		<u>\$ 32,709</u>	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued from page 113.



*The **Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises.*

Non-Major Enterprise Funds:

State Fair Fees – Accounts for the fairground admission fees used to improve the grounds and to pay the operating costs of the State Fair.

State Parks – Accounts for park concessions and contributions which are used to acquire and operate state parks.

Natural Resources Revolving Services – Accounts for moneys received from the delivery of services and the sale or resale of maps, plats, reports, studies, records, and other publications and documents.

Historic Preservation Revolving – Accounts for gifts, grants, and contributions used to acquire, preserve, restore, maintain, or operate any historical properties.

Missouri Veterans' Homes – Accounts for fees to provide services for persons confined to one of the veterans' homes.

State Agency for Surplus Property – Accounts for the surplus property operation.

Department of Revenue Information – Accounts for fees received by the Department of Revenue for publications and used to pay the costs of providing this information.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2007
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2007
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 76	\$ 553	\$ 119	\$ 267	\$ 621	\$ 520	\$ 454	\$ 2,610
Investments	326	2,102	510	1,141	2,656	2,221	1,952	10,908
Accounts Receivable, Net	---	1	24	---	198	250	53	526
Interest Receivable	3	---	---	16	83	31	---	133
Due from Other Funds	7	2	23	---	---	8	---	40
Inventories	1	558	376	---	380	---	---	1,315
Prepaid Items	---	---	22	---	---	---	---	22
Loans Receivable	---	---	---	473	---	---	---	473
Noncurrent Assets:								
Assets Held for Resale	---	---	---	115	---	---	---	115
Capital Assets:								
Construction in Progress	---	3,771	---	---	---	---	---	3,771
Land	---	6,600	---	---	---	---	---	6,600
Land Improvements	75	6,797	---	---	38	169	---	7,079
Buildings	3	21,981	---	481	164	161	---	22,790
Equipment	446	10,962	15,667	35	5,201	781	334	33,426
Less Accumulated Depreciation	(395)	(19,041)	(11,891)	(147)	(3,594)	(952)	(300)	(36,320)
Total Capital Assets (Net of Accumulated Depreciation)	129	31,070	3,776	369	1,809	159	34	37,346
Total Assets	542	34,286	4,850	2,381	5,747	3,189	2,493	53,488
LIABILITIES								
Current Liabilities:								
Accounts Payable	12	116	40	3	670	238	26	1,105
Accrued Payroll	33	49	3	5	1,535	23	23	1,671
Due to Other Funds	8	1	14	1	12	8	33	77
Unearned Revenue	---	41	42	---	---	---	---	83
Compensated Absences	22	32	4	9	1,834	48	21	1,970
Noncurrent Liabilities:								
Compensated Absences	---	13	3	5	---	---	23	44
Total Liabilities	75	252	106	23	4,051	317	126	4,950
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	129	31,070	3,776	369	1,809	159	34	37,346
Restricted for:								
Other Purposes	---	2,964	---	---	---	---	---	2,964
Unrestricted	338	---	968	1,989	(113)	2,713	2,333	8,228
Total Net Assets	\$ 467	\$ 34,034	\$ 4,744	\$ 2,358	\$ 1,696	\$ 2,872	\$ 2,367	\$ 48,538

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2007
Operating Revenues:								
Licenses, Fees, and Permits	\$ 2,940	\$ 4,457	\$ 95	\$ ---	\$ 2	\$ ---	\$ ---	\$ 7,494
Sales	---	611	222	---	229	2,988	1,705	5,755
Leases and Rentals	992	1,906	---	---	---	---	---	2,898
Charges for Services	---	---	1	---	24,676	---	---	24,677
Cost Reimbursement/Miscellaneous	---	12	73	---	29	168	---	282
Total Operating Revenues	<u>3,932</u>	<u>6,986</u>	<u>391</u>	<u>---</u>	<u>24,936</u>	<u>3,156</u>	<u>1,705</u>	<u>41,106</u>
Operating Expenses:								
Cost of Goods Sold	---	---	344	---	---	882	---	1,226
Personal Service	1,122	954	91	207	49,308	912	639	53,233
Operations	2,789	3,253	267	37	2,534	895	480	10,255
Inventories	27	49	159	2	771	399	83	1,490
Specific Programs	20	22	---	---	169	---	---	211
Depreciation	32	1,586	710	10	379	52	4	2,773
Other Charges	199	211	10	1	53	13	36	523
Total Operating Expenses	<u>4,189</u>	<u>6,075</u>	<u>1,581</u>	<u>257</u>	<u>53,214</u>	<u>3,153</u>	<u>1,242</u>	<u>69,711</u>
Operating Income (Loss)	<u>(257)</u>	<u>911</u>	<u>(1,190)</u>	<u>(257)</u>	<u>(28,278)</u>	<u>3</u>	<u>463</u>	<u>(28,605)</u>
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	102	508	1,870	---	27,021	3	(32)	29,472
Investment Earnings:								
Net Increase (Decrease) in the								
Fair Value of Investments	1	4	1	3	12	5	4	30
Interest	15	---	---	68	336	122	3	544
Penalties and Unclaimed Properties	---	1	---	---	---	---	---	1
Disposal of Capital Assets	(2)	(18)	---	---	(19)	(2)	---	(41)
Total Non-Operating Revenues (Expenses)	<u>116</u>	<u>495</u>	<u>1,871</u>	<u>71</u>	<u>27,350</u>	<u>128</u>	<u>(25)</u>	<u>30,006</u>
Income (Loss) Before Transfers	(141)	1,406	681	(186)	(928)	131	438	1,401
Transfers In	---	---	---	534	---	---	---	534
Transfers Out	---	---	---	---	---	(20)	---	(20)
Change in Net Assets	(141)	1,406	681	348	(928)	111	438	1,915
Total Net Assets - Beginning	608	32,628	4,063	2,010	2,624	2,761	1,929	46,623
Total Net Assets - Ending	<u>\$ 467</u>	<u>\$ 34,034</u>	<u>\$ 4,744</u>	<u>\$ 2,358</u>	<u>\$ 1,696</u>	<u>\$ 2,872</u>	<u>\$ 2,367</u>	<u>\$ 48,538</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2007
Cash Flows from Operating Activities:								
Receipts from Customers and Users	\$ 3,937	\$ 7,000	\$ 407	\$ ---	\$ 24,898	\$ 3,004	\$ 1,742	\$ 40,988
Payments to Suppliers	(2,809)	(3,711)	(624)	(36)	(3,017)	(1,594)	(471)	(12,262)
Payments to Employees	(1,096)	(954)	(89)	(197)	(48,681)	(922)	(600)	(52,539)
Payments Made for Program Expense	(20)	(22)	---	---	(169)	---	---	(211)
Other Receipts (Payments)	(199)	(199)	63	(1)	(24)	155	(36)	(241)
Net Cash Provided (Used) by Operating Activities	(187)	2,114	(243)	(234)	(26,993)	643	635	(24,265)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	14	---	---	---	14
Due to/from Other Funds	5	(31)	34	1	(597)	(14)	19	(583)
Contributions and Intergovernmental	102	508	1,870	---	26,992	---	(32)	29,440
Transfers to/from Other Funds	---	---	---	534	---	(20)	---	514
Net Cash Provided (Used) by Non-Capital Financing Activities	107	477	1,904	549	26,395	(34)	(13)	29,385
Cash Flows from Capital and Related Financing Activities:								
Purchases and Construction of Capital Assets	(40)	(1,635)	(1,469)	---	(382)	(1)	(33)	(3,560)
Net Cash Provided (Used) by Capital and Related Financing Activities	(40)	(1,635)	(1,469)	---	(382)	(1)	(33)	(3,560)
Cash Flows from Investing Activities:								
Proceeds from Investment Maturities	10	---	---	---	---	---	---	10
Purchase of Investments	---	(987)	(220)	(455)	(22)	(878)	(724)	(3,286)
Interest and Dividends Received	15	---	---	59	292	107	3	476
Penalties and Other Receipts	---	1	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	25	(986)	(220)	(396)	270	(771)	(721)	(2,799)
Net Increase (Decrease) in Cash	(95)	(30)	(28)	(81)	(710)	(163)	(132)	(1,239)
Cash and Cash Equivalents, Beginning of Year	171	583	147	348	1,331	683	586	3,849
Cash and Cash Equivalents, End of Year	<u>\$ 76</u>	<u>\$ 553</u>	<u>\$ 119</u>	<u>\$ 267</u>	<u>\$ 621</u>	<u>\$ 520</u>	<u>\$ 454</u>	<u>\$ 2,610</u>

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (257)	\$ 911	\$ (1,190)	\$ (257)	\$ (28,278)	\$ 3	\$ 463	\$ (28,605)
Depreciation Expense	32	1,586	710	10	379	52	4	2,773
Changes in Assets and Liabilities:								
Accounts Receivable	5	5	88	---	(9)	16	70	175
Prepaid Items	---	---	(1)	---	---	---	---	(1)
Inventories	(1)	16	117	---	(380)	392	77	221
Accounts Payable	8	(425)	30	3	668	190	15	489
Accrued Payroll	6	(9)	1	5	189	(1)	11	202
Unearned Revenue	---	21	1	---	---	---	(33)	(11)
Compensated Absences	20	9	1	5	438	(9)	28	492
Net Cash Provided (Used) by Operating Activities	<u>\$ (187)</u>	<u>\$ 2,114</u>	<u>\$ (243)</u>	<u>\$ (234)</u>	<u>\$ (26,993)</u>	<u>\$ 643</u>	<u>\$ 635</u>	<u>\$ (24,265)</u>



*The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursement basis.*

Internal Service Funds:

Natural Resources Cost Allocation – Accounts for the administrative costs of the Department of Natural Resources.

Mental Health Interagency Payments – Accounts for moneys received through interagency agreements for services provided by other agencies.

State Facility Maintenance and Operation – Accounts for moneys transferred or paid to the Office of Administration as operating expenses, and for rent expenses of certain state-owned facilities.

Office of Administration Revolving – Accounts for the following operations: printing services, flight operations, vehicle management, garage services, data processing and telecommunication services, building and grounds, insurance services, postage, and personnel administration.

Working Capital Revolving – Accounts for the operation of correctional industry programs and correctional farm programs.

General Government Revolving – Accounts for various service operations of the House of Representatives, Supreme Court, Adjutant General, Senate, Treasurer, and Department of Corrections.

Social Services Administrative Trust – Accounts for moneys transferred or paid to the Department of Social Services from any governmental entity or the public for goods and services provided.

Economic Development – Administrative – Accounts for moneys collected for goods and services provided to other divisions and used to pay the cost of providing such services.

Professional Registration Fees – Accounts for moneys received from the professional boards for administrative services.

Conservation Employees' Insurance Plan – Accounts for health insurance coverage on a self-insured basis and life insurance coverage by a third party provider for Department of Conservation employees.

Transportation Self-Insurance Plan – Accounts for highway and highway patrol moneys used to pay workers' compensation claims. Moneys are also used to pay auto claims against the Department of Transportation.

Missouri State Employees' Insurance Plan – Accounts for long-term disability and death benefits provided on a self-insured basis for state employees.

Missouri Consolidated Health Care Plan – Accounts for medical care benefits provided on a self-insured basis for state employees.

MoDOT and MSHP Medical and Life Insurance Plan – Accounts for the medical coverage provided on a self-insured basis and death benefits provided on an insured basis to Department of Transportation employees and members of the Missouri State Highway Patrol.

**STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2007
ASSETS															
Current Assets:															
Cash and Cash Equivalents	\$ 246	\$ 661	\$ 190	\$ 2,567	\$ 1,404	\$ 2,937	\$ 73	\$ 6	\$ 265	\$ 660	\$ ---	\$ 3	\$ 166,527	\$ 3,906	\$ 179,445
Investments	1,050	2,822	55,721	8,053	5,993	12,533	311	27	---	5,296	67,310	2,385	30,471	27,268	219,240
Accounts Receivable, Net	---	---	65	1,696	1,428	19,777	204	2	---	395	---	983	19,471	1,670	45,691
Interest Receivable	---	---	---	---	---	---	---	---	---	---	946	---	---	---	946
Due from Other Funds	---	4	2,481	2,437	871	24	235	10	---	---	---	---	---	---	6,062
Inventories	9	16	1	1,124	11,239	---	98	2	12	---	---	---	---	---	12,501
Prepaid Items	---	---	---	---	---	---	---	---	---	---	117	---	19	---	136
Non-Current Assets:															
Restricted Assets:															
Cash and Cash Equivalents	---	---	46,990	520	---	---	---	---	---	---	---	---	---	---	47,510
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	---	---	151,269	1,176	500	---	---	---	---	---	---	---	---	---	152,945
Land	---	---	8,332	---	103	---	---	---	---	---	---	---	---	---	8,435
Land Improvements	---	---	3,090	---	---	---	---	---	---	---	---	---	---	---	3,090
Buildings	242	---	277,268	9,814	6,359	---	---	---	2,300	---	---	---	---	---	295,983
Equipment	5,774	3,163	7,943	39,464	24,227	107	241	468	1,923	---	---	---	2,701	---	86,011
Less Accumulated Depreciation	(4,489)	(2,108)	(154,189)	(38,922)	(24,410)	(72)	(151)	(378)	(2,066)	---	---	---	(2,274)	---	(229,059)
Total Capital Assets (Net of Accumulated Depreciation)	1,527	1,055	293,713	11,532	6,779	35	90	90	2,157	---	---	---	427	---	317,405
Total Assets	2,832	4,558	399,161	27,929	27,714	35,306	1,011	137	2,434	6,351	68,573	3,371	216,915	32,944	829,236
LIABILITIES															
Current Liabilities:															
Accounts Payable	131	---	2,697	2,530	118	619	73	13	104	27	239	2,973	7,690	1,826	19,040
Accrued Payroll	238	2	736	285	256	42	---	37	132	---	---	---	---	---	1,728
Due to Other Funds	45	1	66	51	9	4	10	2	34	---	---	---	---	---	222
Unearned Revenue	---	---	---	474	---	---	---	---	---	---	---	---	19,062	6,483	26,019
Claims Liability	---	---	---	---	---	---	---	---	---	2,275	13,573	---	43,054	11,000	69,902
Obligations under Lease Purchase	1	---	481	1,018	17	---	---	---	---	---	---	---	42	---	1,559
Compensated Absences	466	---	964	603	569	69	---	61	218	---	---	---	185	---	3,135
Notes Payable	---	---	158	---	---	---	---	---	---	---	---	---	---	---	158
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	37,742	---	---	---	37,742
Obligations under Lease Purchase	27	---	7,656	1,864	1	---	---	---	---	---	---	---	---	---	9,548
Compensated Absences	94	---	820	191	31	---	---	---	36	---	---	---	32	---	1,204
Notes Payable	---	---	3,747	---	---	---	---	---	---	---	---	---	---	---	3,747
Total Liabilities	1,002	3	17,325	7,016	1,001	734	83	113	524	2,302	51,554	2,973	70,065	19,309	174,004
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	1,499	1,055	285,576	11,532	6,761	35	90	90	2,157	---	---	---	385	---	309,180
Restricted for:															
Revenue Bonds	---	---	46,990	---	---	---	---	---	---	---	---	---	---	---	46,990
Other Purposes	---	---	---	520	---	---	---	---	---	---	200	---	---	100	820
Unrestricted	331	3,500	49,270	8,861	19,952	34,537	838	(66)	(247)	4,049	16,819	398	146,465	13,535	298,242
Total Net Assets	\$ 1,830	\$ 4,555	\$ 381,836	\$ 20,913	\$ 26,713	\$ 34,572	\$ 928	\$ 24	\$ 1,910	\$ 4,049	\$ 17,019	\$ 398	\$ 146,850	\$ 13,635	\$ 655,232

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2007
Operating Revenues:															
Employer Contributions	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,560	\$ 27,107	\$ ---	\$ 377,294	\$ 66,774	\$ 478,735
Employee Contributions	---	---	---	---	---	---	---	---	---	5,098	---	27,102	93,153	25,369	150,722
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	223	---	---	4,472	3,416	8,111
Licenses, Fees, and Permits	---	---	---	---	---	20,923	---	---	6,183	---	---	---	---	---	27,106
Sales	---	---	48	---	29,617	16	13	---	---	---	---	---	---	---	29,694
Leases and Rentals	---	---	24,031	---	117	12	216	---	---	---	---	---	---	---	24,376
Charges for Services	11,950	5,048	6,252	61,077	---	2,911	4,746	1,768	---	---	---	---	---	---	93,752
Cost Reimbursement/Miscellaneous	15	---	48	8,731	---	36	1	3	---	433	589	436	---	1,376	11,668
Total Operating Revenues	11,965	5,048	30,379	69,808	29,734	23,898	4,976	1,771	6,183	13,314	27,696	27,538	474,919	96,935	824,164
Operating Expenses:															
Cost of Goods Sold	---	---	---	5,654	12,277	---	---	---	---	---	---	---	---	---	17,931
Personal Service	7,889	30	15,013	10,496	9,151	1,376	43	1,748	4,115	---	---	403	4,124	---	54,388
Operations	2,619	460	18,101	47,980	4,750	4,948	4,791	314	1,447	1,780	852	162	26,525	11,136	125,865
Inventories	101	7	91	628	144	28	---	12	127	---	---	---	---	---	1,138
Specific Programs	3	3,001	---	---	14	739	---	---	5	---	---	---	---	---	3,762
Insurance Benefits	---	---	---	---	---	---	---	---	---	9,899	7,002	27,064	414,402	91,487	549,854
Depreciation	440	594	9,033	6,162	1,259	10	31	47	296	---	---	---	278	---	18,150
Other Charges	127	13	104	737	1,573	288	31	37	163	2	---	---	---	19	3,094
Total Operating Expenses	11,179	4,105	42,342	71,657	29,168	7,389	4,896	2,158	6,153	11,681	7,854	27,629	445,329	102,642	774,182
Operating Income (Loss)	786	943	(11,963)	(1,849)	566	16,509	80	(387)	30	1,633	19,842	(91)	29,590	(5,707)	49,982
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	---	---	22	---	---	18	---	---	4	---	---	---	---	---	44
Interest Expense	---	---	(960)	(90)	---	---	---	---	---	---	---	---	---	---	(1,050)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	1	4	4	---	25	2	1	2	1	188	944	---	---	656	1,828
Interest	---	---	4,025	---	---	---	---	---	---	124	2,218	118	9,104	1,151	16,740
Penalties and Unclaimed Properties	---	---	775	---	---	---	2	---	---	---	---	---	---	---	777
Disposal of Capital Assets	(1)	---	(1)	(40)	---	---	(58)	(10)	(5)	---	---	---	---	---	(115)
Total Non-Operating Revenues (Expenses)	---	4	3,865	(130)	25	20	(55)	(8)	---	312	3,162	118	9,104	1,807	18,224
Income (Loss) Before Transfers	786	947	(8,098)	(1,979)	591	16,529	25	(395)	30	1,945	23,004	27	38,694	(3,900)	68,206
Transfers In	---	---	120,052	---	---	---	---	---	---	---	---	---	---	---	120,052
Transfers Out	---	---	---	---	---	---	---	(7)	(59)	---	---	---	---	---	(66)
Change in Net Assets	786	947	111,954	(1,979)	591	16,529	25	(402)	(29)	1,945	23,004	27	38,694	(3,900)	188,192
Total Net Assets - Beginning	1,044	3,608	269,882	22,892	26,122	18,043	903	426	1,939	2,104	(5,985)	371	108,156	17,535	467,040
Total Net Assets - Ending	\$ 1,830	\$ 4,555	\$ 381,836	\$ 20,913	\$ 26,713	\$ 34,572	\$ 928	\$ 24	\$ 1,910	\$ 4,049	\$ 17,019	\$ 398	\$ 146,850	\$ 13,635	\$ 655,232

**STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)**

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2007
Cash Flows from Operating Activities:															
Receipts from Customers and Users	\$ 11,950	\$ 5,048	\$ 30,280	\$ 61,848	\$ 28,952	\$ 18,286	\$ 4,778	\$ 1,766	\$ 6,183	\$ 12,663	\$ 26,847	\$ 27,090	\$ 461,286	\$ 90,558	\$ 787,535
Payments to Suppliers	(2,626)	(469)	(16,128)	(54,957)	(17,793)	(4,831)	(4,840)	(315)	(1,517)	(1,822)	(755)	(162)	(28,587)	(10,305)	(145,107)
Payments to Employees	(7,877)	(30)	(13,543)	(10,361)	(9,117)	(1,381)	(48)	(1,784)	(4,069)	---	---	(403)	(4,109)	---	(52,722)
Payments Made for Program Expense	(3)	(3,001)	---	---	(14)	(739)	---	---	(5)	(11,306)	(11,544)	(26,742)	(403,842)	(90,048)	(547,244)
Other Receipts (Payments)	(112)	(13)	(56)	7,994	(1,573)	(252)	(30)	(34)	(163)	654	589	436	---	4,773	12,213
Net Cash Provided (Used) by Operating Activities	1,332	1,535	553	4,524	455	11,083	(140)	(367)	429	189	15,137	219	24,748	(5,022)	54,675
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	(65)	5	603	(487)	(294)	(57)	232	(26)	(18)	---	---	2	13,950	---	13,845
Contributions and Intergovernmental	---	---	---	---	---	18	---	---	---	---	---	---	---	---	18
Transfers to/from Other Funds	---	---	120,052	---	---	---	---	(7)	(59)	---	---	---	---	---	119,986
Net Cash Provided (Used) by Non-Capital Financing Activities	(65)	5	120,655	(487)	(294)	(39)	232	(33)	(77)	---	---	2	13,950	---	133,849
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	---	---	(960)	(90)	---	---	---	---	---	---	---	---	---	---	(1,050)
Purchase or Construction of Capital Assets	(688)	(3)	(26,236)	(3,095)	(1,311)	(25)	(70)	(16)	(260)	---	---	---	(288)	---	(31,992)
Bonds and Notes Payable	---	---	(142)	---	---	---	---	---	---	---	---	---	---	---	(142)
Capital Lease Downpayment/Obligations	(1)	---	(186)	(1,028)	(8)	---	---	---	---	---	---	---	(37)	---	(1,260)
Net Cash Used by Capital and Related Financing Activities	(689)	(3)	(27,524)	(4,213)	(1,319)	(25)	(70)	(16)	(260)	---	---	---	(325)	---	(34,444)
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	---	---	---	---	---	---	---	271	115	---	103,257	559,278	---	183,131	846,052
Purchase of Investments	(575)	(1,534)	(54,722)	(799)	(320)	(9,586)	(72)	---	---	(1,624)	(121,920)	(559,612)	(124)	(177,622)	(928,510)
Interest and Dividends Received	---	---	4,025	---	---	---	---	---	---	124	1,903	118	9,104	1,060	16,334
Penalties and Other Receipts	---	---	775	---	---	---	2	---	---	---	---	---	---	---	777
Net Cash Provided (Used) by Investing Activities	(575)	(1,534)	(49,922)	(799)	(320)	(9,586)	(70)	271	115	(1,500)	(16,760)	(216)	8,980	6,569	(65,347)
Net Increase (Decrease) in Cash	3	3	43,762	(975)	(1,478)	1,433	(48)	(145)	207	(1,311)	(1,623)	5	47,353	1,547	88,733
Cash and Cash Equivalents, Beginning of Year	243	658	3,418	4,062	2,882	1,504	121	151	58	1,971	1,623	(2)	119,174	2,359	138,222
Cash and Cash Equivalents, End of Year	\$ 246	\$ 661	\$ 47,180	\$ 3,087	\$ 1,404	\$ 2,937	\$ 73	\$ 6	\$ 265	\$ 660	\$ ---	\$ 3	\$ 166,527	\$ 3,906	\$ 226,955
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	\$ 786	\$ 943	\$ (11,963)	\$ (1,849)	\$ 566	\$ 16,509	\$ 80	\$ (387)	\$ 30	\$ 1,633	\$ 19,842	\$ (91)	\$ 29,590	\$ (5,707)	\$ 49,982
Depreciation Expense	440	594	9,033	6,162	1,259	10	31	47	296	---	---	---	278	---	18,150
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	(51)	528	(782)	(5,576)	(197)	(2)	---	5	(260)	(12)	(14,131)	(1,402)	(21,880)
Inventories	(9)	---	---	(876)	(735)	---	(30)	---	---	---	---	---	---	---	(1,650)
Prepaid Items	---	---	---	---	---	---	---	---	---	---	(117)	---	111	---	(6)
Accounts Payable	103	(2)	2,064	181	113	145	(19)	11	57	(42)	214	322	(2,173)	831	1,805
Accrued Payroll	12	---	356	36	4	4	(1)	(8)	16	---	---	---	---	---	419
Unearned Revenue	---	---	---	243	---	---	---	---	---	---	---	---	498	(183)	558
Claims Liability	---	---	---	---	---	---	---	---	---	(1,407)	(4,542)	---	10,560	1,439	6,050
Compensated Absences	---	---	1,114	99	30	(9)	(4)	(28)	30	---	---	---	15	---	1,247
Net Cash Provided (Used) by Operating Activities	\$ 1,332	\$ 1,535	\$ 553	\$ 4,524	\$ 455	\$ 11,083	\$ (140)	\$ (367)	\$ 429	\$ 189	\$ 15,137	\$ 219	\$ 24,748	\$ (5,022)	\$ 54,675

Non-Cash Financing Activities:

During fiscal year 2007, capital lease agreements were entered into for \$7,407,000 in the State Facility Maintenance and Operation Fund and \$3,869,000 in the Office of Administration Revolving Fund.



*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees' Retirement System:

Missouri State Employees' Plan – Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan – Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri State Employees' Deferred Compensation Incentive (IRC 401a) Plan – Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees' Deferred Compensation (IRC 457) Plan – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust – Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

Unclaimed Property – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees' Voluntary Life Insurance – Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

Program – Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2007
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan		401 (a) Plan	457 Plan	June 30, 2007
ASSETS						
Cash and Cash Equivalents	\$ 554,248	\$ 4,904	\$ 232	\$ ---	\$ ---	\$ 559,384
Investments at Fair Value	7,524,984	66,577	1,820,831	265,662	1,066,370	10,744,424
Receivables:						
Accounts Receivable	255,246	3,155	12,696	131	544	271,772
Interest Receivable	7,668	68	4,572	---	---	12,308
Invested Securities						
Lending Collateral	891,171	7,884	150,040	---	---	1,049,095
Prepaid Expenses	40	---	5	---	---	45
Capital Assets:						
Land	265	2	84	---	---	351
Buildings	3,390	31	582	---	---	4,003
Equipment	1,746	16	133	---	---	1,895
Accumulated Depreciation	(2,121)	(19)	(172)	---	---	(2,312)
Total Capital Assets, Net	3,280	30	627	---	---	3,937
Total Assets	9,236,637	82,618	1,989,003	265,793	1,066,914	12,640,965
LIABILITIES						
Accounts Payable	287,723	2,546	13,753	203	863	305,088
Securities Lending Collateral	891,557	7,888	150,040	---	---	1,049,485
Obligations under Lease Purchase	---	---	6	---	---	6
Compensated Absences	364	3	---	---	---	367
Total Liabilities	1,179,644	10,437	163,799	203	863	1,354,946
Net Assets Held in Trust for Benefits	\$ 8,056,993	\$ 72,181	\$ 1,825,204	\$ 265,590	\$ 1,066,051	\$ 11,286,019

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees'	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan	Retirement System	401 (a) Plan	457 Plan	June 30, 2007
Additions:						
Contributions:						
Employer	\$ 239,488	\$ 23,746	\$ 121,264	\$ 34,894	\$ ---	\$ 419,392
Plan Member	3,461	---	---	---	59,004	62,465
Other	173	---	530	24,564	---	25,267
Total Contributions	<u>243,122</u>	<u>23,746</u>	<u>121,794</u>	<u>59,458</u>	<u>59,004</u>	<u>507,124</u>
Investment Earnings:						
Increase in						
Appreciation of Assets	1,365,368	12,080	300,594	23,720	72,883	1,774,645
Securities Lending						
Income	<u>55,915</u>	<u>495</u>	<u>7,136</u>	<u>---</u>	<u>---</u>	<u>63,546</u>
Total Investment						
Earnings	<u>1,421,283</u>	<u>12,575</u>	<u>307,730</u>	<u>23,720</u>	<u>72,883</u>	<u>1,838,191</u>
Less Investment Expenses:						
Investment Activity						
Expense	(84,629)	(749)	(17,513)	---	---	(102,891)
Securities Lending						
Expense	<u>(53,081)</u>	<u>(470)</u>	<u>(6,668)</u>	<u>---</u>	<u>---</u>	<u>(60,219)</u>
Total Investment						
Expense	<u>(137,710)</u>	<u>(1,219)</u>	<u>(24,181)</u>	<u>---</u>	<u>---</u>	<u>(163,110)</u>
Net Investment						
Earnings	<u>1,283,573</u>	<u>11,356</u>	<u>283,549</u>	<u>23,720</u>	<u>72,883</u>	<u>1,675,081</u>
Cost Reimbursement/ Miscellaneous	<u>542</u>	<u>5</u>	<u>32</u>	<u>---</u>	<u>---</u>	<u>579</u>
Total Additions	<u>1,527,237</u>	<u>35,107</u>	<u>405,375</u>	<u>83,178</u>	<u>131,887</u>	<u>2,182,784</u>
Deductions:						
Benefits	447,241	20,596	175,970	26,947	---	670,754
Administrative Expenses	6,449	57	2,085	539	---	9,130
Program Distributions	---	---	---	---	79,064	79,064
Service Transfer						
Payments	52	---	---	---	---	52
Depreciation	<u>240</u>	<u>2</u>	<u>36</u>	<u>---</u>	<u>---</u>	<u>278</u>
Total Deductions	<u>453,982</u>	<u>20,655</u>	<u>178,091</u>	<u>27,486</u>	<u>79,064</u>	<u>759,278</u>
Change in Net Assets	1,073,255	14,452	227,284	55,692	52,823	1,423,506
Net Assets Held in Trust for Benefits						
Beginning of Year	<u>6,983,738</u>	<u>57,729</u>	<u>1,597,920</u>	<u>209,898</u>	<u>1,013,228</u>	<u>9,862,513</u>
End of Year	<u>\$ 8,056,993</u>	<u>\$ 72,181</u>	<u>\$ 1,825,204</u>	<u>\$ 265,590</u>	<u>\$ 1,066,051</u>	<u>\$ 11,286,019</u>

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2007
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2007
ASSETS				
Cash and Cash Equivalents	\$ 820	\$ 6	\$ 2,598	\$ 3,424
Investments at Fair Value	3,502	84	11,087	14,673
Interest Receivable	48	---	---	48
Inventories	---	---	1	1
Capital Assets:				
Equipment	---	---	37	37
Less: Accumulated Depreciation	---	---	(17)	(17)
Total Capital Assets, Net	---	---	20	20
Total Assets	4,370	90	13,706	18,166
LIABILITIES				
Accounts Payable	735	---	16	751
Accrued Payroll	---	---	20	20
Total Liabilities	735	---	36	771
NET ASSETS				
Net Assets Held in Trust for Other Purposes	\$ 3,635	\$ 90	\$ 13,670	\$ 17,395

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2007
Additions:				
Increase (Decrease) in Appreciation of Assets	\$ 10	\$ 5	\$ 145	\$ 160
Interest	202	3	---	205
Total Investment Earnings	212	8	145	365
Cost Reimbursement/Miscellaneous	11,012	---	---	11,012
Total Additions	11,224	8	145	11,377
Deductions:				
Administrative Expenses	---	---	1,984	1,984
Program Distributions	10,712	---	27,669	38,381
Depreciation	---	---	5	5
Total Deductions	10,712	---	29,658	40,370
Change in Net Assets	512	8	(29,513)	(28,993)
Net Assets – Beginning	3,123	82	43,183	46,388
Net Assets – Ending	\$ 3,635	\$ 90	\$ 13,670	\$ 17,395

**STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2007
(In Thousands of Dollars)**

	Social Security Contributions	Program	Institution	Totals June 30, 2007
ASSETS				
Cash and Cash Equivalents	\$ 20	\$ 5,279	\$ 28,996	\$ 34,295
Investments at Fair Value	81	374,994	1,196	376,271
Receivables:				
Accounts Receivable	6,089	62,159	293	68,541
Interest Receivable	---	1,628	---	1,628
Total Assets	<u>\$ 6,190</u>	<u>\$ 444,060</u>	<u>\$ 30,485</u>	<u>\$ 480,735</u>
LIABILITIES				
Accounts Payable	\$ ---	\$ 33	\$ ---	\$ 33
Due to Other Entities	6,190	438,454	---	444,644
Due to Individuals	---	5,573	30,485	36,058
Total Liabilities	<u>\$ 6,190</u>	<u>\$ 444,060</u>	<u>\$ 30,485</u>	<u>\$ 480,735</u>

NOTE: The Missouri State Employees' Voluntary Life Insurance is not included in the Agency Funds Combining Balance Sheet because there were no assets or liabilities at June 30, 2007.

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>SOCIAL SECURITY CONTRIBUTIONS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 35	\$ 156,039	\$ 156,054	\$ 20
Investments at Fair Value	66	81	66	81
Accounts Receivable	---	6,089	---	6,089
Due from Other Funds	5,812	---	5,812	---
Total Assets	<u>\$ 5,913</u>	<u>\$ 162,209</u>	<u>\$ 161,932</u>	<u>\$ 6,190</u>
LIABILITIES				
Due to Other Entities	<u>\$ 5,913</u>	<u>\$ 485,596</u>	<u>\$ 485,319</u>	<u>\$ 6,190</u>
<u>MISSOURI STATE EMPLOYEES'</u>				
<u>VOLUNTARY LIFE INSURANCE</u>				
ASSETS				
Cash and Cash Equivalents	<u>\$ ---</u>	<u>\$ 2,976</u>	<u>\$ 2,976</u>	<u>\$ ---</u>
LIABILITIES				
Due to Other Entities	<u>\$ ---</u>	<u>\$ 2,976</u>	<u>\$ 2,976</u>	<u>\$ ---</u>
<u>PROGRAM</u>				
ASSETS				
Cash and Cash Equivalents	\$ 2,843	\$ 6,436,347	\$ 6,433,911	\$ 5,279
Investments at Fair Value	341,971	852,148	819,125	374,994
Receivables:				
Accounts Receivable	165,579	98,431	201,851	62,159
Interest Receivable	1,040	13,407	12,819	1,628
Total Assets	<u>\$ 511,433</u>	<u>\$ 7,400,333</u>	<u>\$ 7,467,706</u>	<u>\$ 444,060</u>
LIABILITIES				
Accounts Payable	\$ 29	\$ 411	\$ 407	\$ 33
Due to Other Entities	507,160	7,117,130	7,185,836	438,454
Due to Individuals	4,244	249,152	247,823	5,573
Total Liabilities	<u>\$ 511,433</u>	<u>\$ 7,366,693</u>	<u>\$ 7,434,066</u>	<u>\$ 444,060</u>
<u>INSTITUTION</u>				
ASSETS				
Cash and Cash Equivalents	\$ 21,693	\$ 142,537	\$ 135,234	\$ 28,996
Investments at Fair Value	1,076	147	27	1,196
Accounts Receivable	268	25	---	293
Total Assets	<u>\$ 23,037</u>	<u>\$ 142,709</u>	<u>\$ 135,261</u>	<u>\$ 30,485</u>
LIABILITIES				
Due to Individuals	<u>\$ 23,037</u>	<u>\$ 142,709</u>	<u>\$ 135,261</u>	<u>\$ 30,485</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 24,571	\$ 6,737,899	\$ 6,728,175	\$ 34,295
Investments at Fair Value	343,113	852,376	819,218	376,271
Receivables:				
Accounts Receivable	165,847	104,545	201,851	68,541
Interest Receivable	1,040	13,407	12,819	1,628
Due from Other Funds	5,812	---	5,812	---
Total Assets	<u>\$ 540,383</u>	<u>\$ 7,708,227</u>	<u>\$ 7,767,875</u>	<u>\$ 480,735</u>
LIABILITIES				
Accounts Payable	\$ 29	\$ 411	\$ 407	\$ 33
Due to Other Entities	513,073	7,605,702	7,674,131	444,644
Due to Individuals	27,281	391,861	383,084	36,058
Total Liabilities	<u>\$ 540,383</u>	<u>\$ 7,997,974</u>	<u>\$ 8,057,622</u>	<u>\$ 480,735</u>



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Non-Major Component Units:

Missouri Development Finance Board – Accounts for moneys from bond proceeds, gifts, and grants to make loans for industrial development.

Missouri Agricultural and Small Business Development Authority – Accounts for moneys from bond proceeds, gifts, and grants to make loans for property acquisitions/renovations and pollution control facilities.

Missouri Transportation Finance Corporation – Accounts for moneys from federal, state or local sources, and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2007
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2007
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,001	\$ 1,281	\$ 1,207	\$ 7,489
Investments	21,916	5,336	7,474	34,726
Accounts Receivable, Net	3,906	---	---	3,906
Interest Receivable	696	---	727	1,423
Prepaid Items	400	---	---	400
Loans Receivable	6,237	649	7,307	14,193
Non-Current Assets:				
Advance to Primary Government	---	---	12,158	12,158
Deferred Charges	2	---	---	2
Loans Receivable	---	2,433	5,049	7,482
Restricted Assets:				
Cash and Cash Equivalents	25,391	209	1,076	26,676
Investments	25,764	---	47,790	73,554
Capital Assets:				
Land	9,271	---	---	9,271
Buildings	57,198	---	---	57,198
Equipment	150	---	---	150
Less Accumulated Depreciation	(4,207)	---	---	(4,207)
Total Capital Assets (Net of Accumulated Depreciation)	62,412	---	---	62,412
Total Assets	151,725	9,908	82,788	244,421
LIABILITIES				
Current Liabilities:				
Accounts Payable	366	42	7	415
Due to Primary Government	---	726	---	726
Interest Payable	123	84	---	207
Non-Current Liabilities:				
Advance from Primary Government	---	3,300	---	3,300
Deposits and Reserves	43,331	---	---	43,331
Bonds Payable	31,850	---	---	31,850
Total Liabilities	75,670	4,152	7	79,829
NET ASSETS				
Invested in Capital Assets, Net	30,562	---	---	30,562
Restricted for:				
Other Purposes	6,846	---	73,852	80,698
Unrestricted	38,647	5,756	8,929	53,332
Total Net Assets	\$ 76,055	\$ 5,756	\$ 82,781	\$ 164,592

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2007
Operating Revenues:				
Licenses, Fees, and Permits	\$ 2,603	\$ 513	\$ 5	\$ 3,121
Interest on Receivables	432	---	913	1,345
Leases and Rentals	2,837	---	---	2,837
Cost Reimbursement/Miscellaneous	374	4	---	378
Total Operating Revenues	<u>6,246</u>	<u>517</u>	<u>918</u>	<u>7,681</u>
Operating Expenses:				
Personal Service	697	270	45	1,012
Operations	1,975	128	12	2,115
Specific Programs	---	1,791	---	1,791
Depreciation and Amortization	1,025	---	---	1,025
Bad Debt Expense	139	---	---	139
Other Charges	66	---	4	70
Total Operating Expenses	<u>3,902</u>	<u>2,189</u>	<u>61</u>	<u>6,152</u>
Operating Income (Loss)	<u>2,344</u>	<u>(1,672)</u>	<u>857</u>	<u>1,529</u>
Non-Operating Revenues (Expenses):				
Contributions and Intergovernmental	225	---	---	225
Investment Earnings:				
Increase (Decrease) in Fair Value of Investments	---	263	1,395	1,658
Interest	3,072	217	1,601	4,890
Interest Expense	(936)	(62)	---	(998)
Miscellaneous Expenses	---	---	(55)	(55)
Total Non-Operating Revenues (Expenses)	<u>2,361</u>	<u>418</u>	<u>2,941</u>	<u>5,720</u>
Change in Net Assets	4,705	(1,254)	3,798	7,249
Total Net Assets – Beginning	<u>71,350</u>	<u>7,010</u>	<u>78,983</u>	<u>157,343</u>
Total Net Assets – Ending	<u>\$ 76,055</u>	<u>\$ 5,756</u>	<u>\$ 82,781</u>	<u>\$ 164,592</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2007
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 4,802	\$ 517	\$ 1,200	\$ 6,519
Loans to Outside Entities	---	(214)	(6,167)	(6,381)
Payments to Vendors and Suppliers	(2,083)	(109)	(10)	(2,202)
Payments to Employees	(697)	(270)	(45)	(1,012)
Receipts for tax credit projects	13,378	---	---	13,378
Other Payments	---	(1,791)	(4)	(1,795)
Net Cash Provided by Operating Activities	15,400	(1,867)	(5,026)	8,507
Cash Flows from Non-Capital Financing Activities:				
Loans Receivable Principal Receipts	467	---	---	467
Loans Receivable Issuance	(3,866)	---	---	(3,866)
Due to/from Primary Government	---	16	---	16
Advance to/from Primary Government	---	134	5,793	5,927
Contributions and Intergovernmental	225	---	---	225
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,174)	150	5,793	2,769
Cash Flows from Capital and Related Financing Activities:				
Interest Expense	(931)	(60)	(55)	(1,046)
Purchases and Construction of Capital Assets	(12,269)	---	---	(12,269)
Net Cash Used by Capital and Related Financing Activities	(13,200)	(60)	(55)	(13,315)
Cash Flows from Investing Activities:				
Proceeds from Investment Maturities	76,055	532	---	76,587
Purchase of Investments	(111,311)	---	(8,063)	(119,374)
Interest	2,714	217	1,601	4,532
Net Cash Provided (Used) by Investing Activities	(32,542)	749	(6,462)	(38,255)
Net Increase (Decrease) in Cash	(33,516)	(1,028)	(5,750)	(40,294)
Cash and Cash Equivalents, Beginning of Year	63,908	2,518	8,033	74,459
Cash and Cash Equivalents, End of Year	\$ 30,392	\$ 1,490	\$ 2,283	\$ 34,165
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,344	\$ (1,672)	\$ 857	\$ 1,529
Depreciation/Amortization Expense	1,025	---	---	1,025
Changes in Assets and Liabilities:				
Accounts Receivable	138	---	---	138
Interest Receivable	(31)	---	282	251
Deferred Charges	3	---	---	3
Prepaid Items	(276)	---	---	(276)
Loans Receivable	---	(214)	(6,167)	(6,381)
Accounts Payable	231	19	2	252
Deposit and Reserve	11,966	---	---	11,966
Net Cash Provided by Operating Activities	\$ 15,400	\$ (1,867)	\$ (5,026)	\$ 8,507



*The **Statistical Section** presentations include Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information trends. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the State operates.*

STATE OF MISSOURI
STATISTICAL SECTION
June 30, 2007

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**STATE OF MISSOURI
NET ASSETS BY COMPONENT
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

	<u>2007</u>	<u>2006*</u>	<u>2005</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 25,547,427	\$ 25,840,886	\$ 25,572,008
Restricted	5,030,078	3,824,769	3,250,204
Unrestricted	(1,946,238)	(1,453,203)	(1,321,738)
Total Governmental Activities Net Assets	<u><u>\$ 28,631,267</u></u>	<u><u>\$ 28,212,452</u></u>	<u><u>\$ 27,500,474</u></u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 40,772	\$ 39,669	\$ 43,304
Restricted	9,517	3,942	12,407
Unrestricted	185,451	33,993	(151,323)
Total Business-Type Activities Net Assets	<u><u>\$ 235,740</u></u>	<u><u>\$ 77,604</u></u>	<u><u>\$ (95,612)</u></u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 25,588,199	\$ 25,880,555	\$ 25,615,312
Restricted	5,039,595	3,828,711	3,262,611
Unrestricted	(1,760,787)	(1,419,210)	(1,473,061)
Total Primary Government Net Assets	<u><u>\$ 28,867,007</u></u>	<u><u>\$ 28,290,056</u></u>	<u><u>\$ 27,404,862</u></u>

*Fiscal year 2006 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

	2007	2006*	2005
<u>Governmental Activities:</u>			
Expenses			
General Government	\$ 1,093,058	\$ 981,614	\$ 1,035,396
Education	6,042,584	5,773,048	5,669,627
Natural and Economic	929,123	867,915	834,269
Transportation and Law Enforcement	2,303,411	2,025,341	2,189,839
Human Services	9,192,032	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	151,139	130,438	126,202
Total Expenses	<u>19,711,347</u>	<u>19,669,008</u>	<u>19,626,984</u>
Program Revenues			
Charges for Services	1,603,383	1,611,022	1,453,667
Operating Grants and Contributions	7,826,152	7,758,885	7,767,831
Total Program Revenues	<u>9,429,535</u>	<u>9,369,907</u>	<u>9,221,498</u>
Total Governmental Activities Net Program Expense	<u>(10,281,812)</u>	<u>(10,299,101)</u>	<u>(10,405,486)</u>
General Revenues and Other Changes in Net Assets			
Taxes:			
Sales and Use	2,931,035	3,047,305	3,003,405
Individual Income	5,143,461	5,271,506	4,821,500
Corporate Income	496,656	520,324	351,116
County Foreign Insurance	178,607	186,647	163,952
Alcoholic Beverage	28,090	29,068	28,045
Corporate Franchise	69,743	76,574	118,343
Inheritance	5,354	15,319	41,832
Miscellaneous Taxes	1,164,821	1,307,727	1,334,595
Grants and Contributions not Restricted to Specific Programs	197,959	158,745	158,140
Unrestricted Investment Earnings	228,214	146,234	80,161
Transfers	256,687	258,773	207,159
Total General Revenues and Other Changes in Net Assets	<u>10,700,627</u>	<u>11,018,222</u>	<u>10,308,248</u>
Total Governmental Activities Change in Net Assets	<u>\$ 418,815</u>	<u>\$ 719,121</u>	<u>\$ (97,238)</u>
<u>Business-Type Activities:</u>			
Expenses			
State Lottery	\$ 689,427	\$ 665,848	\$ 575,667
Unemployment Compensation	444,962	412,937	501,098
Petroleum Storage Tank Insurance	16,249	13,243	25,944
Missouri Veteran's Homes	53,233	46,664	58,760
Non-Major Funds	16,468	20,764	13,345
Total Expenses	<u>1,220,339</u>	<u>1,159,456</u>	<u>1,174,814</u>
Revenues			
Charges for Services	1,011,407	989,703	857,674
Operating Grants and Contributions	618,071	603,727	542,984
Total Revenues	<u>1,629,478</u>	<u>1,593,430</u>	<u>1,400,658</u>
Total Business-Type Activities Net Program Expense	<u>409,139</u>	<u>433,974</u>	<u>225,844</u>
General Revenues and Other Changes in Net Assets			
Unrestricted Investment Earnings	5,684	(2,189)	3,213
Extraordinary Items	---	35	---
Transfers	(256,687)	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	<u>(251,003)</u>	<u>(260,927)</u>	<u>(203,946)</u>
Total Business-Type Activities Change in Net Assets	<u>\$ 158,136</u>	<u>\$ 173,047</u>	<u>\$ 21,898</u>
Total Primary Government Change in Net Assets	<u>\$ 576,951</u>	<u>\$ 892,168</u>	<u>\$ (75,340)</u>

*Fiscal year 2006 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2007
(In Thousands of Dollars)

	<u>2007</u>	<u>2006*</u>	<u>2005</u>
General Fund			
Reserved	\$ 567,880	\$ 526,159	\$ 577,561
Unreserved	<u>1,312,352</u>	<u>988,240</u>	<u>326,920</u>
Total General Fund	<u>1,880,232</u>	<u>1,514,399</u>	<u>904,481</u>
 All Other Governmental Funds			
Reserved	1,068,533	988,493	876,859
Unreserved, Reported in:			
Special Revenue Funds	1,189,085	1,192,431	1,043,965
Capital Projects Funds	542,063	213,026	251,124
Permanent Funds	<u>88</u>	<u>96</u>	<u>87</u>
Total All Other Governmental Funds	<u>2,799,769</u>	<u>2,394,046</u>	<u>2,172,035</u>
Total Fund Balances, Governmental Funds	<u><u>\$ 4,680,001</u></u>	<u><u>\$ 3,908,445</u></u>	<u><u>\$ 3,076,516</u></u>

*Fiscal year 2006 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2007
(In Thousands of Dollars)**

	2007	2006*	2005
Revenues:			
Taxes	\$ 10,036,502	\$ 10,648,213	\$ 9,646,452
Licenses, Fees, and Permits	574,768	622,911	591,530
Sales	34,973	11,321	16,849
Leases and Rentals	372	155	2,143
Services	230,173	240,857	182,112
Contributions and Intergovernmental	8,025,833	7,930,499	7,901,109
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	15,758	(113)	3,152
Interest	185,747	136,876	69,698
Penalties and Unclaimed Properties	63,148	83,174	25,854
Cost Reimbursement/Miscellaneous	478,252	427,916	441,555
Total Revenues	<u>19,645,526</u>	<u>20,101,809</u>	<u>18,880,454</u>
Expenditures:			
Current:			
General Government	887,728	808,861	822,107
Education	6,038,060	5,769,455	5,663,301
Natural and Economic Resources	785,423	720,204	763,222
Transportation and Law Enforcement	1,349,547	1,154,086	1,135,010
Human Services	9,114,902	9,745,591	9,758,066
Capital Outlay:			
Current Expenditures	1,433,507	1,415,080	1,015,165
Capital Lease Purchases	9,599	41,924	53,025
Debt Service:			
Principal	197,212	170,295	127,264
Interest	165,470	121,301	120,982
Bond Issuance Costs	5,775	1,821	---
Underwriter's Discount	247	---	326
Total Expenditures	<u>19,987,470</u>	<u>19,948,618</u>	<u>19,458,468</u>
Excess Revenues (Expenditures)	<u>(341,944)</u>	<u>153,191</u>	<u>(578,014)</u>
Other Financing Sources (Uses):			
Proceeds from Capital Leases	8,794	41,924	53,025
Proceeds from General Obligation/Other Bonds	920,000	350,660	---
Issuance of Refunding Bonds	394,870	---	157,605
Payments to Escrow Agent	(433,477)	---	(175,553)
Bond Premium	77,099	21,336	18,274
Proceeds from Capital Asset Sale	8,675	6,634	5,920
Transfers In	3,774,813	3,521,028	3,062,605
Transfers Out	(3,638,112)	(3,261,659)	(2,842,560)
Total Other Financing Sources (Uses)	<u>1,112,662</u>	<u>679,923</u>	<u>279,316</u>
Net Change in Fund Balances	<u>770,718</u>	<u>833,114</u>	<u>(298,698)</u>
Increase (Decrease) in Reserve for Inventory	<u>838</u>	<u>(129)</u>	<u>327</u>
Net Change in Fund Balances	<u><u>\$ 771,556</u></u>	<u><u>\$ 832,985</u></u>	<u><u>\$ (298,371)</u></u>
Debt Service as a Percentage of Non-Capital Expenditures	1.99%	1.59%	1.35%

*Fiscal year 2006 amounts have been restated.

**STATE OF MISSOURI
REVENUE BASE
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

Taxable Sales by Industry	2007	2006	2005
Agricultural/Forestry, Fishing, and Other	\$ 198,564,812	\$ 190,183,959	\$ 173,064,997
Mining	128,534,001	148,041,999	144,360,458
Construction	929,753,447	929,146,007	781,324,533
Manufacturing	2,862,904,859	3,217,299,757	3,033,835,702
Transportation and Public Utilities	7,673,318,253	7,285,790,054	6,950,561,788
Wholesale Trade	8,338,189,598	8,604,467,502	8,136,436,052
Retail Trade	46,166,130,737	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	529,797,617	533,582,629	507,350,286
Services	8,787,849,846	8,433,450,983	8,015,509,010
State and Local Government	161,631,024	156,947,658	84,808,852
Non-Classifiable	15,518,372	16,694,236	16,301,552
Total Taxable Sales	\$ 75,792,192,566	\$ 74,394,299,656	\$ 70,794,277,689
Direct Sales Tax Rate	4.225%	4.225%	4.225%

Personal Income by Industry	Calendar Year*		
	2006	2005	2004
Farm Earnings	\$ 657,840	\$ 680,682	\$ 1,530,462
Agricultural/Forestry, Fishing, and Other	317,860	307,692	313,447
Mining	622,799	559,285	406,383
Construction/Utilities	11,342,163	10,832,150	10,063,022
Manufacturing	19,892,532	19,353,393	18,780,396
Transportation and Public Utilities	5,782,070	5,476,314	5,104,099
Wholesale Trade	8,340,696	7,900,882	7,465,233
Retail Trade	9,742,351	9,484,135	9,324,951
Finance, Insurance, and Real Estate	11,277,229	10,949,571	10,326,016
Services	55,924,301	53,160,346	50,083,751
Federal, civilian	4,858,369	4,692,912	4,507,517
Military	2,107,408	1,982,678	1,848,590
State and Local Government	16,506,674	15,711,041	14,969,326
Total Personal Income	\$ 147,372,292	\$ 141,091,081	\$ 134,723,193
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%

*This information is only available by calendar year on the Bureau of Economic Analysis web site.

**STATE OF MISSOURI
REVENUE RATES
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

	2007	2006	2005
Personal Income Tax Revenue	\$773,375,291	\$662,996,843	\$543,193,091
Personal Income (Federal AGI)	\$215,491,776,833	\$185,705,288,582	\$161,726,939,117
Taxable Income	\$157,963,987,815	\$133,414,355,787	\$114,900,652,083
Average Effective Rate: Federal Adjusted Gross Taxable Income	0.36%	0.36%	0.34%
	0.49%	0.50%	0.47%

**Ranges of Tax Rates on the Portion of Taxable
Income (In Thousands)**

	2007	2006	2005
Tax Rate	1.5%	1.5%	1.5%
Income Levels	1.1-2	1.1-2	1.1-2
Tax Rate	2.0%	2.0%	2.0%
Income Levels	2.1-3	2.1-3	2.1-3
Tax Rate	2.5%	2.5%	2.5%
Income Levels	3.1-4	3.1-4	3.1-4
Tax Rate	3.0%	3.0%	3.0%
Income Levels	4.1-5	4.1-5	4.1-5
Tax Rate	3.5%	3.5%	3.5%
Income Levels	5.1-6	5.1-6	5.1-6
Tax Rate	4.0%	4.0%	4.0%
Income Levels	6.1-7	6.1-7	6.1-7
Tax Rate	4.5%	4.5%	4.5%
Income Levels	7.1-8	7.1-8	7.1-8
Tax Rate	5.0%	5.0%	5.0%
Income Levels	8.1-9	8.1-9	8.1-9
Tax Rate	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+

The State Sales and Use Tax Rate is 4.225%.

Source: Missouri Department of Revenue

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

**STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY/CATEGORY
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

Sales Tax	2007	%	2006	%	2005	%
Agricultural	\$ 8,389,363	0.26%	\$ 8,035,272	0.26%	\$ 7,311,996	0.25%
Mining	5,430,562	0.17%	6,254,774	0.20%	6,099,229	0.20%
Construction	39,282,083	1.23%	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	120,957,730	3.78%	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	324,197,696	10.12%	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	352,288,511	11.00%	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,950,519,024	60.91%	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	22,383,949	0.70%	22,543,866	0.72%	21,435,550	0.72%
Services	371,286,656	11.60%	356,313,304	11.34%	338,655,256	11.32%
Government	6,828,911	0.21%	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	655,651	0.02%	705,332	0.02%	688,741	0.02%
Total	\$ 3,202,220,136	100.00%	\$ 3,143,159,161	100.00%	\$ 2,991,058,232	100.00%

Personal Income *

2007**

	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$50,000 and under	3,466,758	79.78%	\$ 1,449,801,018	29.12%
\$50,000 – \$100,000	655,988	15.09%	1,369,920,151	27.52%
\$100,000 – \$250,000	165,239	3.80%	814,246,236	16.36%
\$250,000 – \$1,000,000	45,492	1.05%	676,769,011	13.59%
\$1,000,000 and over	12,099	0.28%	667,349,444	13.41%
Total	4,345,576	100.00%	\$ 4,978,085,860	100.00%

2005**

	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$50,000 and under	3,370,705	82.60%	\$ 1,381,799,422	34.47%
\$50,000 – \$100,000	543,861	13.33%	1,124,700,381	28.05%
\$100,000 – \$250,000	124,636	3.05%	616,542,538	15.38%
\$250,000 – \$1,000,000	33,760	0.83%	486,312,065	12.13%
\$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
Total	4,080,816	100.00%	\$ 4,008,911,851	100.00%

*Federal Adjusted Gross Income

**Per GASB Statement 44 (effective for statistical sections prepared for periods beginning after June 15, 2005), this schedule is to show the current year and nine years ago. Information not available prior to 2005.

Source: Missouri Department of Revenue

**STATE OF MISSOURI
RATIOS OF OUTSTANDING DEBT
FISCAL YEARS 2005-2007
(In Thousands of Dollars)**

	2007	2006*	2005*
Governmental Activities			
General Obligation Bonds	\$ 684,515	\$ 739,935	\$ 790,910
Other Bonds	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	37,880	38,860	---
Certificates of Participation	113,990	122,255	124,490
Capital Leases	79,839	74,049	107,647
Total Governmental Activities	<u>\$ 3,577,099</u>	<u>\$ 2,848,239</u>	<u>\$ 2,632,862</u>
Debt as a Percentage of Personal Income ¹	1.9%	1.6%	1.5%
Debt Per Capita ¹	\$ 612	\$ 491	\$ 458

Legal Debt Margin Calculation for Fiscal Year 2007:

General Obligation Bonds Authorized (Legislative Debt Limit)	\$ 1,686,395
Unforeseen Emergency or Casual Deficiency	1,000
Less: General Obligation Issued	(1,439,494)
Legal Debt Margin	<u>\$ 247,901</u>

Legal Debt Margin Summary by Fiscal Year:

Legislative Debt Limit	\$ 1,686,395	\$ 1,646,395	\$ 1,606,395
Total Net Debt Applicable to Limit	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	<u>\$ 247,901</u>	<u>\$ 207,901</u>	<u>\$ 167,901</u>
Legal Debt Margin to Debt Limit Ratio	14.70%	12.63%	10.45%

¹These ratios are calculated using personal income and population for the calendar year.
See *Demographic and Economic Indicators* for personal income and population data.

*Fiscal year 2005 and 2006 amounts have been restated.

**STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006-2007
(In Thousands of Dollars)**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
State Facility Maintenance and Operation						
2007	\$ 48,780	\$ 10,661	\$ 38,119	\$ 15,405	\$ 11,676	1.4
2006*	49,474	12,078	37,396	14,130	11,054	1.5
Missouri Road Fund						
2007	\$ 1,024,787	\$ 269,210	\$ 755,577	\$ 73,350	\$ 82,049	4.9
2006	727,870	N/A	727,870	63,149	49,248	6.5

*Fiscal year 2006 amounts have been restated.

N/A = not available

Source: Bond records and debt service schedules.

**STATE OF MISSOURI
DEMOGRAPHIC AND ECONOMIC INDICATORS
CALENDAR YEARS 2004-2006**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Population			
Missouri (In Thousands)	5,843	5,798	5,753
Change	0.8%	0.8%	0.7%
National (In Thousands)	299,398	296,507	293,638
Change	1.0%	1.0%	1.0%
Total Personal Income			
Missouri (In Thousands)	\$ 191,601,916	\$ 181,930,218	\$ 173,968,028
Change	5.3%	4.6%	4.7%
National (In Thousands)	\$ 10,966,808,000	\$ 10,284,378,000	\$ 9,711,271,000
Change	6.6%	5.9%	6.1%
Per Capita Personal Income			
Missouri	\$ 32,793	\$ 31,380	\$ 30,240
Change	4.5%	3.8%	4.0%
National	\$ 36,629	\$ 34,685	\$ 33,072
Change	5.6%	4.9%	5.1%
Resident Civilian Labor Force and Employment			
Civilian Labor Force (In Thousands)	3,032	3,008	2,994
Employed (In Thousands)	2,886	2,848	2,822
Unemployed (In Thousands)	146	160	172
Unemployment Rate	4.8%	5.3%	5.7%
National Unemployment Rate	4.6%	5.1%	5.5%
	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
School Enrollment (In Thousands)			
Elementary and Secondary Education	898	898	892
Higher Education – Private Institutions	243	240	235
Total Enrollment	1,141	1,138	1,127
% Change from Prior Year	0.3%	1.0%	0.3%
Higher Education			
Public Community Colleges			
Number of Campuses	18	18	18
Number of Students (Full-Time Equivalent FTE)	52,377	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,332	1,309	1,291
State Technical College			
Number of Campuses	1	1	1
Number of Students (Full-Time Equivalent FTE)	888	885	854
Number of Regular Term Teaching Positions (FTE)	57	51	50
State Colleges/Universities			
Number of Campuses	14	14	14
Number of Students (Full-Time Equivalent FTE)	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,638	4,578	4,597

**STATE OF MISSOURI
MAJOR EMPLOYERS
CALENDAR YEARS 2006 AND 1997
(In Thousands of Dollars)**

2006		
Employer	Number of Employees	Percent of Total State Employment
State of Missouri ¹	63,000	2.18%
Wal-Mart Associates, Inc.	40,000 +	1.39%
University of Missouri	20,000 +	0.69%
U.S. Post Office	15,000 – 20,000	0.52% – 0.69%
Boeing Corporation	10,000 – 15,000	0.35% – 0.52%
Washington University	10,000 – 15,000	0.35% – 0.52%
Schnuck Markets, Inc.	7,500 – 10,000	0.26% – 0.35%
Barnes-Jewish Hospitals	7,500 – 10,000	0.26% – 0.35%
U.S. Department of Defense	7,500 – 10,000	0.26% – 0.35%
City of St. Louis	7,500 – 10,000	0.26% – 0.35%
Total	188,000 – 213,000	6.52% – 7.39%
Total Missouri Employment		2,885,857

1997		
Employer²	Number of Employees	Percent of Total State Employment
Wal-Mart Associates, Inc.	25,000 – 30,000	0.90% – 1.08%
McDonnell Douglas Corporation	20,000 – 25,000	0.72% – 0.90%
Trans World Airlines, Inc.	10,000 – 15,000	0.36% – 0.54%
Southwestern Bell Telephone Co.	10,000 – 15,000	0.36% – 0.54%
Schnuck Markets, Inc.	10,000 – 15,000	0.36% – 0.54%
Washington University	10,000 – 15,000	0.36% – 0.54%
Barnes-Jewish Hospital	7,500 – 10,000	0.27% – 0.36%
Chrysler Corporation	7,500 – 10,000	0.27% – 0.36%
May Department Stores	7,500 – 10,000	0.27% – 0.36%
Ford Motor Company	7,500 – 10,000	0.27% – 0.36%
Total	115,000 – 155,000	4.14% – 5.58%
Total Missouri Employment		2,780,185

All figures are based on a calendar-year average.

¹Number of state employees includes only full-time personnel, and does not include college or university employees.

²Only includes major private employers.

Sources: Missouri Economic Research and Information Center,
State of Missouri CAFR-Fiscal Year 1998, State Employee Headcount report.

**STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-2007
FULL-TIME EQUIVALENTS**

	2007	2006	2005
General Government			
Legislature	732	749	708
Judiciary	3,777	3,826	3,452
Public Defender	558	561	571
Governor	33	34	35
Lt. Governor	7	7	8
Secretary of State	275	266	262
State Auditor	127	132	142
State Treasurer	51	51	50
Attorney General	443	427	423
Office of Administration	1,783	868	899
Revenue	1,586	1,766	2,086
Total General Government	<u>9,372</u>	<u>8,687</u>	<u>8,636</u>
Education			
Elementary and Secondary Education	2,654	2,719	2,261
Higher Education	58	67	73
Total Education	<u>2,712</u>	<u>2,786</u>	<u>2,334</u>
Natural and Economic Resources			
Agriculture	467	456	388
Insurance, Financial Institutions and Professional Registration	192	200	207
Conservation	2,190	2,270	2,047
Economic Development	1,604	1,681	1,379
Labor and Industrial Relations	913	1,056	1,051
Natural Resources	2,061	2,175	2,019
Total Natural and Economic Resources	<u>7,427</u>	<u>7,838</u>	<u>7,091</u>
Transportation and Law Enforcement			
Transportation	7,196	7,300	7,024
Public Safety	5,085	5,101	4,927
Total Transportation and Law Enforcement	<u>12,281</u>	<u>12,401</u>	<u>11,951</u>
Human Services			
Health and Senior Services	1,877	1,969	2,048
Mental Health	9,602	9,784	9,571
Social Services	8,553	8,794	9,034
Corrections	11,138	11,235	11,493
Total Human Services	<u>31,170</u>	<u>31,782</u>	<u>32,146</u>
State Total	<u>62,962</u>	<u>63,494</u>	<u>62,158</u>

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan.

**STATE OF MISSOURI
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2006 – 2007**

	2007	2006
General Government		
Individual Income Tax Returns Processed (in thousands)	3,902	2,770
Sales and Use Tax Returns Processed (in thousands)	1,055	742
Driver Licenses Processed (in thousands)	1,052	1,106
Motor Vehicle Registrations Processed (in thousands)	3,856	2,994
Audit Reports Issued	88	103
Statewide Court Filings (in thousands)*	2,027	2,152
Business Services Requests Made on Secretary of State Web Page (in thousands)*	36,000	35,000
Checks Issued (in thousands)	3,035	3,309
Unclaimed Property Returned (in thousands)	\$ 22,966	\$ 21,816
Education		
High School Drop Out Rate*	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	70.2%	67.6%
Guaranteed Student Loans (in thousands)	\$ 1,178,692	\$ 1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (in thousands)	\$ 41,466	\$ 41,845
Natural and Economic Resources		
Job Placement Rate of unemployed individuals that registered on Great Hires Web Page	62.0%	63.3%
Insurance Policies Filed Electronically	50.0%	50.0%
Initial Unemployment Claims (in thousands)	411	393
International Agricultural Exports (in thousands)	\$ 19,760	\$ 18,191
Hunting License Holders (in thousands)*	579	570
Visitors to Missouri State Parks and Historic Sites (in thousands)	16,069	16,650
Transportation and Law Enforcement		
Methamphetamines Labs Seized	259	375
State – licensed Fire Safety Inspections	11,684	9,848
Buildings Served by Missouri Capitol Police	82	79
Alcohol Arrests	954	1,084
Missouri Major Roads Rated in Good Condition	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	0.9%	3.1%
Human Services		
Medicaid Enrollees	822,685	830,262
Food Stamp Recipients	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (in thousands)	1,097	1,075
Incarcerated Offenders	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	7,805	7,772

*Previous fiscal year data was used since it was the most recent available.

**STATE OF MISSOURI
CAPITAL ASSET COUNTS AND SQUARE FOOTAGE
OF BUILDINGS OCCUPIED BY FUNCTION
FISCAL YEARS 2005–2007**

	<u>2007</u>	<u>2006*</u>	<u>2005*</u>
General Government			
Parcels of Land	20	18	15
Land Improvements	35	35	31
Square Footage of Buildings	1,379,053	1,370,477	1,079,001
Equipment	42,333	44,469	49,644
Education			
Parcels of Land	32	32	32
Land Improvements	31	31	29
Square Footage of Buildings	177,693	136,006	139,718
Equipment	6,679	6,780	6,723
Natural and Economic Resources			
Parcels of Land	811	815	812
Land Improvements	318	320	216
Square Footage of Buildings	817,501	704,808	372,232
Equipment	43,534	46,574	46,915
State Parks and Historic Sites	84	84	84
State Conservation Areas	1,151	1,148	1,140
Transportation and Law Enforcement			
Parcels of Land	853	862	1,608
Land Improvements	184	177	183
Square Footage of Buildings	174,503	174,459	157,172
Equipment	63,327	62,984	61,965
Miles of State Highway	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,240	10,224	10,190
Highway Patrol Stations	9	9	9
Human Services			
Parcels of Land	84	83	85
Land Improvements	115	115	112
Square Footage of Buildings	1,177,655	1,054,204	852,258
Equipment	98,649	107,434	106,334
Correctional Facilities	26	26	24

* Restated Square Footage of Buildings and Correctional Facilities for 2006 and 2005.

Source: State of Missouri capital asset records by agency.

STATE OF MISSOURI
ACKNOWLEDGEMENTS

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Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Arnold Municipal Division



March 2008

Report No. 2008-12

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Arnold Municipal Division.

Bonds received by the court are not recorded immediately upon receipt or deposited on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt and there were several old outstanding checks that had not been resolved.

Listings of open items (liabilities) are not reconciled with the balances of the Bond Account. At December 31, 2007, the balance of the Bond Account was \$77,739, while the open items listing prepared by the Finance Director totaled \$64,165, indicating a potential overage in the account of \$13,574, which the new Finance Director could not explain.

Cash custody and recordkeeping duties have not been adequately segregated in the Court Clerk's office. In addition, the majority of the court information, including recording receipts and disbursements, are maintained on both computerized and manual records, which increases the workload of the Court Clerk. To further complicate the matter, no comparison is done between the computer and manual records.

Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Arnold, Missouri

We have audited certain operations of the city of Arnold Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended August 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not

necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Arnold Municipal Division of the Twenty-Third Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Bond Controls and Procedures
-----------	-------------------------------------

Bonds received by the court are not recorded immediately upon receipt. In addition, deposits are not always made on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Bond open items are not reconciled to the bond bank account balance, and there were several old outstanding checks that had not been resolved.

A. Checks and money orders received by the court for bonds are not recorded when received. These receipts are eventually turned over to the finance department to prepare the deposit, record them on an electronic spreadsheet, and then transmit the bonds to the city clerk for deposit.

- Bonds retrieved from the police department and received in the mail by the court from other political subdivisions are not receipted or recorded by the Court Clerk upon receipt. The Court Clerk simply places the bond envelopes, that include the bond form and check or money order, in a drawer in her office.
- The Finance Clerk periodically retrieves the bond monies from the drawer in the Court Clerk's office. The Finance Clerk records the bonds on an electronic spreadsheet and prepares the deposit. The Finance Clerk does not issue a receipt slip to the Court Clerk for the transmittal of these monies. The Finance Clerk gives the deposit slip and the bond monies to the City Clerk for deposit and returns the bond forms to the Court Clerk for further processing.
- When the City Clerk receives the bond deposit from the Finance Clerk, a receipt slip is not issued confirming the amount and composition of the monies transmitted.
- The Court Clerk posts the bond forms to the court computer system (REJIS). No reconciliation is done between amounts posted to the computer and amounts deposited or recorded on the bond spreadsheet.

To ensure all collections are properly handled and recorded, bond receipts should be recorded and entered into REJIS immediately upon receipt by the Court Clerk. A bond posting transaction report should be printed and reconciled to monies on hand. This report should be provided to the Finance Clerk with the bond monies for comparison to the monies transmitted or received for deposit. In addition,

receipt slips should be issued or reports signed to clearly indicate the transmittal of the monies between various personnel.

- B. Bond monies received are not deposited on a timely basis. For example, two deposits on September 7, 2007, totaling \$7,650, included monies received between August 15 and August 29, 2007. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. The Finance Clerk endorses the checks and money orders when the deposit is prepared.

Checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- C. Listings of open items (liabilities) are not reconciled with the balances of the Bond Account. At December 31, 2007, the balance of the Bond Account was \$77,739, while the open items listing prepared by the Finance Director totaled \$64,165, indicating a potential overage in the account of \$13,574. The new Finance Director could not explain this difference, but indicated that this reconciliation had not been prepared by the former director.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors corrected on a timely basis. The Court Clerk should work with the Finance Director to investigate and resolve the current overage in the account.

The REJIS system can be utilized for bonds. The system has the capability to issue bond receipts, apply, forfeit, and refund bonds, and provide an open items bond listing that can be reconciled to the Bond Account balance. However; the Court Clerk does not currently fully utilize the system.

- D. At December 31, 2007, the Bond Account had 16 outstanding checks totaling \$2,079 that were over a year old, and the old bond account had 62 outstanding checks totaling \$5,988 that were over a year old. Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the city of Arnold Municipal Division:

- A. Record bond monies immediately upon receipt. Procedures should be established to ensure amounts posted to REJIS agree to amounts deposited. In addition, receipt slips should be issued when monies are transmitted between city offices.

- B. Deposit all monies on a timely basis (preferably daily) and restrictively endorse checks and money orders immediately upon receipt.
- C. Prepare and reconcile a monthly detailed listing of open items. The Court Clerk should work with the Finance Director to investigate and correct any identified differences.
- D. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated:

- A. *Bond monies will be recorded immediately upon receipt and posted to REJIS with the added internal controls recommended.*
- B. *Deposits will be made daily; all checks will be endorsed upon receipt and reconciled to REJIS daily.*
- C. *Open items will be reconciled to REJIS monthly and reviewed for differences.*
- D. *Procedures for the reissuance/disposition of old outstanding checks will be implemented.*

2.	Court Controls and Procedures
-----------	--------------------------------------

Cash custody and recordkeeping duties have not been adequately segregated. The court is also not fully utilizing the REJIS system and is duplicating some records.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Court Clerk's office. The Court Clerk collects monies, records transactions, and prepares the transmittal report. The Assistant City Clerk prepares the deposit and agrees the amount received to the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips issued to the transmittal report to ensure its accuracy and that all monies received are transmitted. In addition, the Court Clerk posts the receipts to the REJIS computer system which maintains the court docket and computerized case files. No receipt report is generated from this system or reconciled to amounts transmitted for deposit.

Internal controls would be improved by having someone independent of the receipting, recording, and transmittal preparation processes review the records to ensure accuracy.

- B. The Court Clerk maintains the majority of the court information records on both computerized and manual records. These duplicate records include recording receipts and disbursements. In addition, no comparison is done between the computer and manual records. For example, the Court Clerk records all fines and costs received in the court's one-write ledger and posts these same collections to the computer system. The one-write ledger is used to make deposits and monthly disbursements. The computer system is used to generate a monthly report to send to the Office of State Court Administrator (OSCA). The Court Clerk does not print receipt or disbursement reports from the computer system to compare to the one-write ledger or disbursements, nor is the OSCA report reconciled to any of the manual records.

The computer system could be used to generate the receipt slips and record receipts, thus eliminating the need for the one-write ledger. Also, the Finance Clerk maintains a separate spreadsheet for the recording and disposition of bond receipts, which could also be done with the computer system.

Maintaining accounting records both manually and on the computer increases the workload of the Court Clerk. To ensure all receipts are properly posted to the computer system, a comparison of the computer records to actual monies should be done.

WE RECOMMEND the city of Arnold Municipal Division:

- A. Ensure procedures to account for and verify monies to receipt slips are adopted. In addition, receipt slips and transmittals should be compared to the deposits and reconciled to computer records.
- B. Review all current computerized and manual accounting records and procedures and determine if any duplicate records and functions can be discontinued.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated:

- A. *Procedures to account for and verify court transactions have been implemented.*
- B. *We have reviewed our computer and manual accounting procedures and a more efficient protocol will be implemented by the end of the year.*

3. Ticket Controls and Procedures
--

Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and posts tickets issued to their computer system.

The Court Clerk posts the tickets received from the police department to REJIS. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition for each ticket issued. A review of one officer's tickets revealed three missing tickets. The police chief indicated that he had no explanation for the missing tickets.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Arnold Municipal Division work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated this issue will be resolved by summer 2008 through the use of a handheld computerized ticketing device that automatically assigns ticket numbers.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Arnold Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At August 31, 2007, the municipal division employees were as follows:

Municipal Judge	S. Todd Hamby
Court Clerk	Kristin Thiele *
Deputy Court Clerk	Jennifer Roth
Finance Clerk	Joan Boyles

* Nancy Rimmer served as Court Clerk prior to January 2007.

Financial and Caseload Information

	Year Ended August 31,	
	2007	2006
Receipts	\$ 1,177,581	1,060,849
Number of cases filed	18,424	13,634



Susan Montee, CPA
Missouri State Auditor

Village of Brumley



March 2008

Report No. 2008-11

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

The following findings were included in our audit report on the Village of Brumley, Missouri.

The village does not prepare or post notices of meetings or tentative meeting agendas as required by state law. Some meeting minutes were not signed, although the meeting minutes do indicate that the minutes from the prior meetings were read and approved. Board minutes do not always indicate the board's approval of bills to be paid, nor is there any other documentation to indicate the board's approval of all disbursements. In addition, village ordinances are not complete and up-to-date.

The village neither publishes nor posts semi-annual financial statements, submits annual financial reports to the State Auditor's Office, nor prepares annual budgets as required by state law. The village does not prepare street maintenance plans, and has not established a separate accounting for motor vehicle-related revenues as required by the Missouri Constitution. Also, it does not track payments that may require preparation of Internal Revenue Service (IRS) Form 1099-MISC.

Monies received for the rental of the village hall are not deposited and expenditure of these monies is made in cash. Some checks received were held and were not cashed in a timely manner. Checks should be restrictively endorsed immediately upon receipt. The village should deposit all rental monies into the village bank account and make all disbursements by check. Holding monies and making disbursements in cash increases the risk of loss, theft, or misuse of funds.

There were transactions where the Board of Trustees approved payments to board members or board members' relatives, giving the appearance of conflicts of interest. In addition, bids or proposals were not solicited for the services obtained from these related parties. Discussion and decisions concerning situations where potential conflicts of interest exist should be completely documented so that the public has assurance that no village official has benefited improperly.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

VILLAGE OF BRUMLEY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Brumley, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Brumley. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the village has adequate internal controls over significant management and financial functions.
3. Determine if the village has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Brumley.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA
In-Charge Auditor: David Gregg

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF BRUMLEY
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1. Board Meeting Minutes, Ordinances, and Bonding
--

Some board meeting minutes were not signed, notices of meetings or tentative agendas were not posted, and the board's review and approval of expenditures was not always documented in the minutes. Village ordinances are not up-to-date and complete and village officials are not bonded.

- A. Some meeting minutes were not signed, although the meeting minutes do indicate that the minutes from the prior meetings were read and approved. Board minutes should be signed by the preparer and by the board chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- B. The village does not prepare or post notices of meetings or tentative meeting agendas. Section 610.020, RSMo, requires that a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The village should ensure that copies of agendas and meeting notices are retained to document compliance with state law.
- C. Board minutes do not always indicate the board's approval of bills to be paid, nor is there any other documentation to indicate the board's approval of all disbursements. While board approval is obtained for most non-recurring items, the board does not obtain a listing or other summary of all village disbursements. Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. To adequately document the board's review and approval, a complete listing of all bills to be paid should be prepared and included with the board minutes.
- D. The village ordinances are not complete and up-to-date. Village officials have custody of ordinances, but most ordinances are old, not filed in an orderly manner, and not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help keep track of additions and changes made to the village ordinances.

- E. No village officials are bonded. Village checks require two signatures, with the Chairman and the Treasurer authorized to sign checks. In addition, the Secretary collects monies for the rental of the village hall. Failure to properly bond all persons with access to assets exposes the village to risk of loss. The board should ensure all officials in positions of handling village monies are adequately bonded or consider a blanket bond to cover all officials.

WE RECOMMEND the Board of Trustees:

- A. Ensure meeting minutes are signed by the preparer and the board chairman to attest to their completeness and accuracy.
- B. Ensure notices and tentative agendas of all board meetings are posted and retained.
- C. Review and approve all expenditures of village funds prior to the disbursements being made.
- D. Update and codify the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the village should consider establishing an index of all village ordinances passed and rescinded, and ensure all ordinances are up-to-date and are being enforced.
- E. Obtain bond coverage for officials with access to village assets.

AUDITEE'S RESPONSE

- A&B. *We agree and will implement these recommendations.*
- C. *We agree, however, some bills may need to be paid prior to the monthly board meetings to avoid late payment fees. For any such bills, we will include these on the listing of bills to be paid so the board is aware of all payments made.*
- D. *We agree and have already started organizing the ordinances.*
- E. *We agree and will check into obtaining bond coverage.*

2. Financial Reporting, Budgets, and Restricted Revenues

The village does not publish or post semi-annual financial statements nor submit annual financial reports to the State Auditor's Office as required by state law. The village does not prepare budgets or street maintenance plans, has not established a separate accounting for motor vehicle-related revenues, and does not track payments which may require preparation of Internal Revenue Service (IRS) Form 1099-MISC.

- A. The village does not publish or post semi-annual financial statements. Section 80.210, RSMo, requires that the Board of Trustees prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states that the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- B. The village has not submitted annual financial reports to the State Auditor's Office. The village submitted an annual report for the year ending June 30, 2007, but prior to that, reports had not been filed since 1996. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's Office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for un-audited financial statements and within six months of the end of the fiscal year for audited financial statements).
- C. The village does not prepare annual budgets. Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of village operations and provide a means to effectively monitor actual costs and revenues.

- D. An annual maintenance plan for village streets has not been prepared. While the village spent no money on street maintenance during the year ended June 30, 2007, street maintenance expenses have been incurred in prior years and the board indicated that future street maintenance will be performed. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

- E. The village deposits all state motor vehicle-related revenues into its checking account and does not separately account for these revenues. Article IV, Section

30 of the Missouri Constitution requires that motor vehicle-related revenues apportioned by the State of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. For the year ending June 30, 2007, the village received \$4,399 in state motor vehicle-related revenues and spent \$200 on snow removal; however, no other street-related expenses were noted. The village should establish a separate fund or separate accounting to ensure the motor vehicle-related revenues are spent in accordance with the state constitution.

- F. The village has not established procedures to track payments which may require preparation of IRS Form 1099-MISC. As a result, the village did not prepare these forms for payments for legal services totaling \$800 and \$925 for the years ended December 31, 2007 and 2006, respectively, and for park mowing and maintenance totaling \$870 for the year ended December 31, 2007.

Section 6041 through 6051 of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on form 1099-MISC.

WE RECOMMEND the Board of Trustees:

- A. Publish or post semi-annual financial statements as required by state law.
- B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.
- C. Prepare annual budgets which include all information required by state law and to provide a complete financial plan for the village.
- D. The village should prepare a formal maintenance plan for village streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.
- E. Ensure restricted revenues are used only for their intended purposes.
- F. Ensure payments which may require an IRS form 1099-MISC are tracked and those payments totaling greater than \$600 to nonemployees and unincorporated business are properly reported to the IRS.

AUDITEE'S RESPONSE

- A. *We agree and will implement this recommendation.*
- B. *We agree and will continue to send annual financial reports to the State Auditor.*

- C. We agree and plan to prepare a budget for the upcoming fiscal year.*
- D. We agree and will establish a maintenance plan in conjunction with the annual budget.*
- E. We agree and will establish a separate accounting of these revenues.*
- F. We agree. Forms 1099 have already been issued for 2007 payments.*

3. Rental Monies

Monies received for the rental of the village hall are not deposited and expenditure of these monies is made in cash. Some checks received were held and were not cashed in a timely manner.

- A. The village receives monies for the rental of the village hall which are not deposited. The monies received are held by the Village Secretary who makes disbursements of these funds in cash. A ledger of transactions is kept, which indicated total receipts of \$430 (from approximately 15 rentals) and total disbursements of \$463 for the year ended June 30, 2007, and a balance of \$385 at June 30, 2007. Disbursements are made to purchase various village office and cleaning supplies, and the Village Secretary maintains receipts or vendor invoices for the disbursements.

Holding monies and making disbursements in cash increases the risk of loss, theft, or misuse of funds. The village should deposit all rental monies into the village bank account and make all disbursements by check.

- B. Some checks received for rentals were being held and were not cashed. A cash count on January 8, 2008, noted the village was holding three checks of \$35 each (totaling \$105) with the check dates ranging from January 28 to September 9, 2007. In addition, the checks were not restrictively endorsed.

To reduce the risk of loss, theft, or misuse of funds, all monies should be deposited on a timely basis and checks should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Trustees:

- A. Deposit all rental monies in the village bank account and make all disbursements by check.
- B. Deposit all receipts timely and restrictively endorse all checks.

AUDITEE'S RESPONSE

- A. *We agree and will implement this recommendation.*
- B. *These checks have now been cashed.*

4. Potential Conflicts of Interest

The following transactions represent the appearance of conflicts of interest where the Board of Trustees approved payments to board members or board members' relatives. In addition, bids or proposals were not solicited for the services obtained from these related parties.

- A. During the year ended June 30, 2007, a board member was paid \$796 for mowing the village park and installing park equipment. No bids were solicited for these services, and there is no documentation as to whether the board member or his wife, the Board Secretary, voted to approve these payments or abstained from voting. On August 8 and October 9, 2007, the board approved payments to this board member of \$105 and \$90, respectively, for mowing and maintenance of the village park, and the minutes indicate both the board member and his wife voted to pay these invoices.

Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for compensation other than the compensation provided for the performance of his official duties.

- B. On September 19 and October 24, 2006, the village paid \$500 and \$425, respectively, for legal services to the Village Attorney, who is the son of the former Board Treasurer. There is no documentation as to whether the former Board Treasurer voted to approve these invoices in either instance, as the minutes do not indicate the specific votes taken.

The former Board Treasurer's term expired in April 2007, and the board continues to use the services of this Village Attorney; however, the board does not periodically solicit proposals for legal services. During the year ended June 30, 2007, the Village Attorney was paid a total of \$1,525 for legal services.

Discussion and decisions concerning situations where potential conflicts of interest exist should be completely documented so that the public has assurance that no village official has benefited improperly. In addition, soliciting bids or proposals helps ensure the village receives fair value for the money spent on these services.

WE RECOMMEND the Board of Trustees avoid transactions that represent actual conflicts of interest or the appearance of a conflict of interest. If a relative of a village

official is considered for a contractual situation with the village, that official should abstain from voting on the approval of the contract and that action should be adequately documented in the minutes. In addition, the board should solicit bids for mowing services and periodically solicit proposals for legal services.

AUDITEE'S RESPONSE

The person who previously provided mowing services had left town and the village needed someone to provide this service on short notice. In the future, we will ensure that board members abstain from voting to approve payments to related parties. We will also consider obtaining bids for mowing services and periodically review other options for legal services.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF BRUMLEY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The village of Brumley is located in Miller County. The village was incorporated in 1926. The population of the village in 2000 was 102.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman, treasurer, and secretary are appointed by the board from the members. The Board of Trustees during the year ended June 30, 2007, are identified below.

Board of Trustees	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Jay Prince, Chairman (1)	April 2007 to June 2007	\$ 0
Paul Bowden, Treasurer (1)	July 2006 to June 2007	0
Mary Jo Shelton, Treasurer	July 2006 to April 2007	0
Joyce Witt, Secretary (2)	July 2006 to June 2007	0
Laura Scott, Secretary	July 2006 to April 2007	0
Ted Jones, Member	April 2007 to June 2007	0
Jim Witt, Member (3)	July 2006 to June 2007	796

Other Officials	Dates of Service During the Year Ended June 30, 2007	Compensation Paid for the Year Ended June 30, 2007
Kevin Shelton, Village Attorney (4)	July 2006 to June 2007	\$ 1,525

- (1) Paul Bowden was Chairman prior to April 2007 and was appointed Treasurer in April 2007.
- (2) Joyce Witt was appointed Secretary in April 2007.
- (3) Compensation for mowing the village's park and installing park equipment.
- (4) Payments are made by the village to Shelton Law Firm when legal services are rendered and billed to the village.

The village did not have any employees during the year ended June 30, 2007.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

ASSESSED VALUATIONS	2007	2006
Real estate	\$ 366,648	332,118
Personal property	73,461	66,436
Total	\$ 440,109	398,554

TAX RATE PER \$100 ASSESSED VALUATION

	2007	2006
General	\$.3902	.4132

TAX RATE PER \$1 OF RETAIL SALES

	Rate
General	\$.01

A summary of the village's financial activity for the year ended June 30, 2007, is presented on the following page:

RECEIPTS

Property taxes	\$ 1,794
Sales taxes	6,872
Motor fuel and motor vehicle fees	4,399
Federal grant	11,250
Interest	950
Insurance claim	25,994
Building rental	<u>430</u>
Total Receipts	<u>51,689</u>

DISBURSEMENTS

Building repair	20,096
Building supplies	463
Election expense	179
Snow removal	200
City park	2,734
Legal fees	1,525
Electricity	1,035
Insurance	1,314
Trash hauling	843
Miscellaneous	<u>87</u>
Total Disbursements	<u>28,476</u>

Receipts Over (Under) Disbursements	23,213
Cash Balance, July 1, 2006	<u>43,250</u>
Cash Balance, June 30, 2007	<u>\$ 66,463</u>



Susan Montee, CPA
Missouri State Auditor

Compilation of 2007 Criminal Activity Forfeiture Act Seizures



February 2008
Report No. 2008-10

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

February 2008

As required by state law the State Auditor's Office compiled the 2007 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to our office by prosecuting attorneys and the Attorney General. This compilation was limited to the presentation of information submitted.

The State Auditor received a total of 114 (98%) of the 116 CAFA seizure reports, from prosecuting attorneys and the Attorney General for property seized in calendar year 2007 as required by Section 513.607, RSMo. One hundred one (87%) of the reports were received prior to the January 31, 2008 deadline.

A comparison of 2007 report filings to those of prior years shows more seizures in 2007; however, these seizures have a lower dollar value.

To accomplish our objectives, we compiled all seizure information submitted to the State Auditor for calendar year 2007 and reviewed the compiled information previously submitted for the calendar years 2006 and 2005 so that a comparison would be available.

A letter dated December 17, 2007 was mailed to prosecuting attorneys and the Attorney General, notifying them of the deadline for submission of the CAFA seizure and forfeiture reports. This letter listed the information that should be included in their report according to Section 513.607 RSMo, and that the report should be submitted to both the State Auditor and to the Director of the Department of Public Safety. The letter also indicated that if there were no seizures, a report was still needed indicating that information.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

COMPILATION OF 2007 CRIMINAL ACTIVITY FORFEITURE ACT SEIZURES

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
Jefferson City, Missouri

As required by Section 513.607, RSMo, we have compiled the 2007 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to the State Auditor by prosecuting attorneys and the Attorney General. A compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

1. Identify those officials who submitted 2007 CAFA seizure reports to the State Auditor.
2. Summarize and evaluate the 2007 CAFA seizure information reported.

Section 513.607 RSMo, requires prosecuting attorneys and the Attorney General to report CAFA seizures for the previous calendar year by January 31 to both the Director of the Department of Public Safety and the State Auditor. We received 87 percent of the CAFA seizure reports, by the required due date of January 31, 2008.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

The following staff participated in the preparation of this report:

Director:	Thomas J. Kremer, CPA
In-Charge Auditor:	Becky Webb, CPA
Audit Staff:	Darrell Wolken

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

The State Auditor's report number 99-97 titled *Review of Forfeited Property* identified weaknesses in the state's Criminal Activity Forfeiture Act (CAFA) law. Subsequently, revisions to the state's CAFA law (Sections 513.600 to 513.653, RSMo) were addressed requiring the prosecuting attorneys and the Attorney General to whom seizures were reported to submit a copy of the seizure report to the State Auditor at the time the report is submitted to the Director of the Department of Public Safety (DPS). The legislation added the requirement for the State Auditor to make an annual report compiling the data received regarding the seizures. A penalty provision for intentional or knowing failure to comply with any reporting requirements was also included.

Other revisions in the CAFA included more restrictions on transfers of seized property by state or local agency to any federal agency. These restrictions were not reviewed, as they are not within the scope of our report.

Compliance with Submitting Criminal Activity Forfeiture Act (CAFA) Seizures Reports

The State Auditor received a total of 114 (98 percent) of the 116 CAFA seizure reports, from prosecuting attorneys and the Attorney General for property seized in calendar year 2007 as required by section 513.607, RSMo. One hundred one (87 percent) of the reports were received prior to the January 31, 2008 deadline. Table 1.1 lists the total number of CAFA seizure reports submitted to the State Auditor for 2007, 2006, and 2005. For 2007, 48 (42 percent) of the total reports, reported zero seizures.

Table 1.1: Summary of CAFA Seizure Reports Submitted By Date

Reporting Status	*					
	2007 Seizures		2006 Seizures		2005 Seizures	
By January 31	101	87.1%	92	79.3%	94	81.0%
After January 31	13	11.2%	15	12.9%	16	13.8%
Total Reported	114	98.3%	107	92.2%	110	94.8%
Failed to Report	2	1.7%	9	7.8%	6	5.2%
Total Reports Required	116	100.0%	116	100.0%	116	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

* Includes 10 CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the 2006 report was issued. Only Bates, Camden, Madison, McDonald, Perry, Pulaski, Ste. Genevieve, Shannon, and Webster County prosecuting attorneys failed to submit a 2006 CAFA seizure report to the State Auditor.

Prosecutors that Failed to Report 2007 CAFA Seizures or Submitted Report Late

Table 1.2 lists the prosecuting attorneys that either submitted the 2007 CAFA seizure report after January 31, 2008, or failed to submit a 2007 CAFA seizure report. Section 513.607.10, RSMo, states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor, punishable by a fine of up to \$1,000.

**Table 1.2: Summary of Prosecuting Attorneys that
Failed to Report 2007 CAFA Seizures or
Submitted 2007 CAFA Seizure Reports Late**

Prosecuting Attorney	Failed to Report	Submitted Late
Camden	X	
Dade		X
Harrison		X
Jackson		X
McDonald		X
Mississippi		X
Morgan		X
Perry		X
St. Clair		X
St. Francois		X
St. Louis County		X
Saline		X
Stone		X
Wayne	X	
Wright		X
Totals	2	13

Source: Review of CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

Disposition of the Seizures Reported

The disposition of the CAFA seizures reported was compiled from the reports submitted by the prosecuting attorneys and the Attorney General. Table 1.3 lists the dollar value of the disposition of seizures reported.

Table 1.3: Summary of Required Information Reported

Reported Disposition	*					
	2007 Seizures		2006 Seizures		2005 Seizures	
Pending	\$ 1,464,990	33%	\$ 1,591,228	30%	\$ 2,319,802	57%
Returned	674,253	15%	664,158	13%	388,673	10%
Transferred to Federal Agency	2,028,673	45%	2,810,763	54%	1,272,420	31%
Transferred to State	74,461	2%	83,038	2%	71,225	2%
Disposition Not Reported	248,730	5%	51,942	1%	0	0%
Other	13,914	0%	14,446	0%	1,653	0%
Total	\$ 4,505,021	100%	\$ 5,215,275	100%	\$ 4,053,773	100%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

See Appendix I for a listing of the 2007 CAFA seizures disposition reported by each prosecuting attorney and the Attorney General.

Compliance with Reporting the Required Information

Section 513.607.8, RSMo, requires prosecuting attorneys and the Attorney General to report the following information: date, time, and place of the seizure; the property seized; the estimated value of the property seized; the person(s) from whom the property was seized; the criminal charges filed; and the disposition of the seizure, forfeiture, and criminal actions. Table 1.4 lists the required information for the CAFA seizure reports received and the number of cases that

reported each required item. Some reports did not include all of the required information; therefore, our compilation includes only the information reported.

Table 1.4: Summary of Required Information Reported

Required Information		*					
		2007 Seizures		2006 Seizures		2005 Seizures	
Date		1,654	99.9%	633	99.8%	1,667	99.9%
Time		1,430	86.4%	409	64.5%	334	20.0%
Place of Seizure		1,637	98.9%	626	98.7%	1,639	98.3%
Property Seized		1,655	99.9%	628	99.1%	1,571	94.2%
Estimated Value of Property Seized		703	42.5%	612	96.5%	629	37.7%
Person(s) Property Seized From		1,656	100.0%	625	98.6%	1,665	99.8%
Criminal Charges Filed		1,450	87.6%	346	54.6%	252	15.1%
Disposition of Seizure		1,656	100.0%	634	100.0%	1,668	100.0%
Disposition of Criminal Actions		1,344	81.2%	443	69.9%	427	25.6%
Total Cases Reported	**	1,656	100.0%	634	100.0%	1,668	100.0%

Source: CAFA seizure reports submitted by prosecuting attorneys and the Attorney General

** The decrease in the number of seizures from 2005 to 2006 and subsequent increase from 2006 to 2007 appears due to the fluctuation in the number of seizures reported by St. Louis City. In 2005, St. Louis City reported 1,146 seizures including 930 vehicles. In 2006, St. Louis City reported only 90 seizures with no vehicles. In 2007, St. Louis City reported 1,150 seizures including 937 vehicles.

See Appendix II for a listing of the number of 2007 CAFA seizure cases that contained the required information reported for each prosecuting attorney and the Attorney General.

OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this compilation were to (1) identify those officials who submitted 2007 CAFA seizure reports to the State Auditor and (2) summarize and evaluate the 2007 CAFA seizure information reported.

Scope and Methodology

To accomplish our objectives we:

- Reviewed the compiled seizure information submitted to the State Auditor for calendar years 2006 and 2005 for comparison purposes only.
- Mailed a letter to prosecuting attorneys and to the Attorney General, dated December 17, 2007, reminding them of the deadline for submission of the CAFA seizure and forfeiture reports.
- Compiled all seizure information submitted to the State Auditor for calendar year 2007.
- Identified the reports submitted on a timely basis.
- Identified the reports not containing the required information.
- Compiled the dollar value of the disposition of all seizures reported.
- Contacted the Department of Public Safety to identify the 2007 CAFA seizure reports submitted to both the State Auditor and to the Director of the Department of Public Safety or to one office.
- Compiled only seizure reports received by February 22, 2008, due to the February 29, 2008, statutory deadline for the State Auditor to submit this report.

Limitations

The data presented in the appendixes were compiled from information submitted by the various prosecuting attorneys and the Attorney General and were not verified by us via additional audit procedures. In analyzing these appendixes, some disparity may result due to the different methods used by the various prosecuting attorneys and the Attorney General of presenting essentially the same information.

APPENDIXES

2007 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2007					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Adair	\$ 151,600	151,600					
Andrew	900	900					
Atchison	1,051	1,051					
Attorney General	0						
Audrain	1,001	1,001					
Barry	1,170	361	809				
Barton	0						
Bates	0						
Benton	0						
Bollinger	160,000		160,000				
Boone	34,636	17,788	13,392	3,456			
Buchanan	48,479	36,731	4,458			453	6,837
Butler	0						
Caldwell	0						
Callaway	8,327	7,235			1,092		
Camden	DNF						
Cape Girardeau	73,188	6,131	7,660	59,397			
Carroll	181	181					
Carter	0						
Cass	9,199	9,199					
Cedar	1,008	1,008					
Chariton	0						
Christian	44,886	841			43,765	280	
Clark	0						
Clay	39,819	39,819					
Clinton	17,060	17,060					
Cole	31,885	5,618			707	25,560	
Cooper	9,278	9,278					
Crawford	0						
Dade	0						
Dallas	0						
Daviess	0						
Dekalb	0						
Dent	49,658	49,658					
Douglas	0						
Dunklin	7,105	4,500		2,605			
Franklin	18,294	18,294					
Gasconade	0						
Gentry	0						
Greene	33,609	26,274		7,335			
Grundy	0						
Harrison	4,000	4,000					
Henry	12,352	12,352					
Hickory	0						
Holt	0						
Howard	1,157	1,157					
Howell	54,705		54,705				

2007 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2007					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Iron	0						
Jackson	571,652	513,197	52,784	2,450	3,221		
Jasper	21,928	5,704		16,224			
Jefferson	88,624	40,738		47,886			
Johnson	6,689	5,672			1,017		
Knox	0						
Laclede	570					570	
Lafayette	209,698	43,013		118,608		41,000	7,077
Lawrence	0						
Lewis	0						
Lincoln	98,042	2,351	294	94,722		675	
Linn	0						
Livingston	5,575				5,575		
Macon	840	840					
Madison	2,544			2,544			
Maries	0						
Marion	0						
McDonald	0						
Mercer	0						
Miller	63,150	63,150					
Mississippi	16,437			16,437			
Moniteau	0						
Monroe	8,000		8,000				
Montgomery	13,204	8,505	3,490		1,209		
Morgan	0						
New Madrid	0						
Newton	12,478	10,002	2,476				
Nodaway	0						
Oregon	0						
Osage	0						
Ozark	0						
Pemiscot	0						
Perry	0						
Pettis	9,911	3,578			6,333		
Phelps	23,250	23,250					
Pike	20,705	20,705					
Platte	21,940	21,940					
Polk County	0						
Pulaski	82,725	12,500		70,225			
Putnam	0						
Ralls	0						
Randolph	13,699					13,699	
Ray	45,976	26,316	19,660				
Reynolds	0						
Ripley	17,482	12,721		4,761			
Saline	8,122	8,122					
Schuyler	0						

2007 CAFA Disposition Reported

Reporting Entity	Estimated Value of all Cases Reported	Status Reported as of December 31, 2007					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Scotland	0						
Scott	7,126	7,126					
Shannon	0						
Shelby	2,235	2,235					
St. Charles	951,431	15,730	40,000	892,187	3,514		
St. Clair	15,776			15,776			
St. Francois	9,022	9,022					
St. Louis County	300,800		29,472	101,847	3,873	165,608	
St. Louis City	879,541	39,638	267,690	572,213			
Ste. Genevieve	119,124	116,144			2,980		
Stoddard	0						
Stone	0						
Sullivan	0						
Taney	12,675	10,790			1,000	885	
Texas	0						
Vernon	9,800	9,000	800				
Warren	1,784	1,784					
Washington	9,180	9,180					
Wayne	DNF						
Webster	8,563		8,563				
Worth	0						
Wright	175				175		
	<u>\$ 4,505,021</u>	<u>1,464,990</u>	<u>674,253</u>	<u>2,028,673</u>	<u>74,461</u>	<u>248,730</u>	<u>13,914</u>

DNF - Did not file a 2007 CAFA seizure report with the State Auditor's Office

Other - Paid to child support enforcement, county school fund, or was destroyed

This appendix compiles only the information reported to the State Auditor's Office by prosecuting attorneys and the Attorney General. Not all seizure reports included an estimated value of the property seized and not all the reports included the disposition of all seizures reported.

2007 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information							Disposition	
			Date	Time	Place Seized	Property Seized	Property Seized	Person(s) Seized From	Criminal Charges Filed	Criminal	
										Seizure	Actions
Adair	2	\$ 151,600	2	2	2	2	2	2	2	2	2
Andrew	1	900	1	1	1	1	1	1	1	1	1
Atchison	2	1,051	2	2	2	2	2	2	2	2	2
Attorney General	0	0									
Audrain	2	1,001	2	2	2	2	2	2	2	2	2
Barry	2	1,170	2		2	2	2	2	2	2	2
Barton	0	0									
Bates	0	0									
Benton	0	0									
Bollinger	1	160,000			1	1	1	1	1	1	1
Boone	20	34,636	20		12	20	20	20	20	20	18
Buchanan	30	48,479	30	30	30	30	28	30	30	30	30
Butler	0	0									
Caldwell	0	0									
Callaway	3	8,327	3	1	3	3	3	3	3	3	1
Camden	DNF										
Cape Girardeau	11	73,188	11	10	11	11	11	11	11	11	10
Carroll	1	181	1	1	1	1	1	1	1	1	1
Carter	0	0									
Cass	5	9,199	5	5	5	5	5	5	5	5	2
Cedar	2	1,008	2	2	2	2	2	2	2	2	
Chariton	0	0									
Christian	6	44,886	6		6	6	5	6	6	6	6
Clark	0	0									
Clay	7	39,819	7	7	7	7	7	7	7	7	2
Clinton	1	17,060	1	1	1	1	1	1	1	1	1
Cole	16	31,885	16	15	16	16	16	16	16	16	14
Cooper	3	9,278	3	3	3	3	3	3	3	3	
Crawford	0	0									
Dade	0	0									
Dallas	0	0									
Daviess	0	0									
Dekalb	0	0									
Dent	1	49,658	1	1	1	1	1	1	1	1	1
Douglas	0	0									
Dunklin	2	7,105	2	2	2	2	2	2	2	2	2
Franklin	6	18,294	6	2	6	6	4	6	6	6	
Gasconade	0	0									
Gentry	0	0									
Greene	4	33,609	4	1	4	4	3	4	4	4	3
Grundy	0	0									
Harrison	1	4,000	1		1	1	1	1	1	1	1
Henry	4	12,352	4	4	4	4	4	4	4	4	
Hickory	0	0									
Holt	0	0									
Howard	2	1,157	2	2	2	2	2	2	2	2	2

2007 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information							Disposition	
			Date	Time	Place Seized	Property Seized	Property Seized	Person(s) Seized From	Criminal Charges Filed	Criminal	
										Seizure	Actions
Howell	2	54,705	2	1	2	2	2	2	2	2	2
Iron	0	0									
Jackson	124	571,652	124	50	121	123	120	124	7	124	121
Jasper	4	21,928	4		4	4	4	4	4	4	4
Jefferson	7	88,624	7		7	7	7	7	7	7	6
Johnson	6	6,689	6	5	6	6	6	6	6	6	6
Knox	0	0									
Laclede	1	570	1	1	1	1	1	1	1	1	
Lafayette	7	209,698	7	6	7	7	7	7	7	7	7
Lawrence	0	0									
Lewis	0	0									
Lincoln	10	98,042	10		3	10	8	10	10	10	10
Linn	0	0									
Livingston	1	5,575	1	1	1	1	1	1	1	1	1
Macon	1	840	1	1	1	1	1	1	1	1	1
Madison	1	2,544	1	1	1	1	1	1	1	1	1
Maries	0	0									
Marion	0	0									
McDonald	0	0									
Mercer	0	0									
Miller	2	63,150	2	2	2	2	2	2	2	2	2
Mississippi	3	16,437	3	3	3	3	3	3	3	3	3
Moniteau	0	0									
Monroe	1	8,000	1	1	1	1	1	1	1	1	1
Montgomery	7	13,204	7	7	7	7	7	7	7	7	7
Morgan	0	0									
New Madrid	0	0									
Newton	9	12,478	9		9	9	9	9	9	9	9
Nodaway	0	0									
Oregon	0	0									
Osage	0	0									
Ozark	0	0									
Pemiscot	0	0									
Perry	0	0									
Pettis	8	9,911	8		8	8	8	8	8	8	5
Phelps	3	23,250	3	3	3	3	3	3	3	3	3
Pike	4	20,705	4	4	4	4	4	4	4	4	4
Platte	6	21,940	6	6	6	6	6	6	6	6	5
Polk County	0	0									
Pulaski	3	82,725	3	1	3	3	3	3	3	3	3
Putnam	0	0									
Ralls	0	0									
Randolph	3	13,699	3		3	3	3	3	3	3	3
Ray	7	45,976	7	7	7	7	7	7	7	7	7
Reynolds	0	0									
Ripley	2	17,482	2	2	2	2	2	2	2	2	2

2007 CAFA Seizure Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of all Cases Reported	Number of Cases that Reported Required Information							Disposition	
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Seized From	Criminal Charges Filed	Criminal	
										Seizure	Actions
Saline	1	8,122	1	1	1	1	1	1	1	1	1
Schuyler	0	0									
Scotland	0	0									
Scott	2	7,126	2	2	2	2	2	2	2	2	2
Shannon	0	0									
Shelby	1	2,235	1	1	1	1	1	1	1	1	1
St. Charles	31	951,431	31	31	31	31	31	31	31	31	7
St. Clair	1	15,776	1	1	1	1	1	1	1	1	1
St. Francois	4	9,022	4	4	4	4	4	4	4	4	4
St. Louis County	86	300,800	86	86	86	86	84	86		86	82
St. Louis City	1,150	879,541	1,150	1,102	1,150	1,150	213	1,150	1,150	1,150	908
Ste. Genevieve	2	119,124	2		2	2	2	2	2	2	2
Stoddard	0	0									
Stone	0	0									
Sullivan	0	0									
Taney	13	12,675	12	3	12	13	11	13	10	13	12
Texas	0	0									
Vernon	3	9,800	3		3	3	3	3	3	3	2
Warren	2	1,784	2	2	2	2	2	2	2	2	2
Washington	1	9,180	1		1	1	1	1	1	1	1
Wayne	DNF										
Webster	1	8,563	1	1	1	1	1	1	1	1	1
Worth	0	0									
Wright	1	175	1		1	1	1	1	1	1	1
	<u>1,656</u>	<u>\$ 4,505,021</u>	<u>1,654</u>	<u>1,430</u>	<u>1,637</u>	<u>1,655</u>	<u>703</u>	<u>1,656</u>	<u>1,450</u>	<u>1,656</u>	<u>1,344</u>

DNF - Did not file a 2007 CAFA Seizure report with the State Auditor's Office

This appendix compiles the total number of 2007 CAFA seizure cases, the total estimated value of cases reported, and the number of cases that reported the required information for each county prosecuting attorney, the city of St. Louis, and the Attorney

December 17, 2007

TO: Prosecuting Attorneys

RE: Annual Seizure Report due **January 31, 2008**

Purpose...

This letter is a reminder of the upcoming deadline for the submission of annual seizure and forfeiture reports.

Responsibility of the State Auditor...

Under Section 513.607.9, RSMo, of the Criminal Activity Forfeiture Act (CAFA), the State Auditor has the responsibility to compile and issue an annual report of the data received from law enforcement, prosecuting attorneys and the Attorney General. The report is considered an open record.

Responsibility of the Prosecuting Attorney and Attorney General...

Under Section 513.607.8, RSMo, of CAFA, the prosecuting attorneys or Attorney General to whom seizures are reported shall report annually to the State Auditor and to the Director of Public Safety by January 31, information on all reported seizures for the previous calendar year. This report shall include the following information:

- date, time and place of the seizure, the property seized, the estimated value of the property seized, the person(s) from whom the property was seized, the criminal charges filed, and the disposition of the seizure, forfeiture and criminal actions.

Procedures...

Please use the enclosed form to report the seizures that were reported to your office by local law enforcement personnel. If you would like the enclosed form in an excel spreadsheet, please call or e-mail our office at moaudit@auditor.mo.gov. Indicate the total number of seizures, even if the number is zero, that were reported to your office and the dollar value of the seized property. Make copies of the enclosed form to accommodate the number of seizures reported to your office and mail a copy to each of the following:

State Auditor of Missouri
Attn: Webb
PO Box 869
Jefferson City, MO 65102

Department of Public Safety
Attn: NCAP Section
PO Box 749
Jefferson City, MO 65102

Questions or Suggestions...

Thank you for your immediate attention to this matter. If you have any suggestions to make this process more efficient, please direct them to Becky Webb.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

Thomas J. Kremer, CPA
Director of Audits

Missouri Revised Statutes

Chapter 513

Executions and Exemptions

Section 513.607

August 28, 2007

Property subject to forfeiture--procedure--report required, when, contents--annual state auditor's report, contents--violations, penalty.

513.607. 8. The prosecuting attorney or attorney general to whom the seizure is reported shall report annually by January thirty-first for the previous calendar year all seizures. Such report shall include the date, time, and place of seizure, the property seized, the estimated value of the property seized, the person or persons from whom the property was seized, the criminal charges filed, and the disposition of the seizure, forfeiture and criminal actions. The report shall be made to the director of the Missouri department of public safety and shall be considered an open record. The prosecuting attorney or attorney general shall submit a copy of the report to the state auditor at the time the report is made to the director of the department of public safety.

9. The state auditor shall make an annual report compiling the data received from law enforcement, prosecuting attorneys and the attorney general, and shall submit the report regarding seizures for the previous calendar year to the general assembly annually by February twenty-eighth.

10. Intentional or knowing failure to comply with any reporting requirement contained in this section shall be a class A misdemeanor, punishable by a fine of up to one thousand dollars.



Susan Montee, CPA
Missouri State Auditor

Office of Governor



February 2008
Report No. 2008-09

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

February 2008

The following report is our audit of the Office of Governor.

The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He does not reimburse the state for any political or personal use. State law allows the governor's security division to "provide transportation, security, and protection for the governor and the governor's immediate family." No distinction is made between official state business and events that are personal or political. The Missouri Constitution prohibits the use of state resources for personal or private gain. In addition, there is no specific provision that exists in state law that allows a state official to use any state resource for anything other than official use.

State resources should be used for the benefit of the general public. If the state intends to allow the Governor to use any state resource for anything other than business purposes, legislation should be pursued to clearly allow this practice and other related conditions. At a minimum, until such provisions are approved, with the possible exception of security, the use of any state resource by the Governor for purposes other than official state business should be reimbursed or discontinued.

Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations. Currently, several patrolmen of the MSHP are assigned to the Governor's security division. The Governor's security division receives annual appropriations from the state's General Revenue Fund for the division's operating expenses, including travel, uniform/clothing allowance, professional development, and equipment. Salaries and fringe benefits of the security personnel and their vehicles and related vehicle fuel and maintenance/repair costs are not included in the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP.

The operations of the Office of Governor have been supplemented by appropriations of the Office of Administration (OA), with various employees of the Governor's office budgeted to and paid from appropriations of the OA. These employees were physically located in and supervised by the Governor's office and mansion, and performed duties attendant to programs and functions of the Office of Governor. Similar practices have been noted in reports on prior administrations.

At January 10, 2005, the capital assets balance for the office and mansion totaled approximately \$322,700 and \$160,400, respectively. An annual statement of changes in capital assets is not prepared and a complete list of all additions and dispositions is not maintained for either the office or mansion. The current capital assets listing for both the

(over)

YELLOW SHEET

office and mansion are incomplete and inaccurate. Numerous items that were included on the prior administration's asset listing are still physically located in the mansion, but are not on the current listing.

The Office of Governor needs to improve the accountability over the functions held at the mansion to ensure public funds are spent appropriately. The mansion's calendar of events and other documentation do not include a sufficient detailed description of the purpose for each function held at the mansion to provide assurance as to the propriety of the function. In addition, neither the mansion nor the Missouri Mansion Preservation, Inc. retain a list of invitees/attendees for functions held at the mansion.

The office's employee manual needs to be more complete and comprehensive. The manual does not include certain issues typically addressed in an office/employee manual, including part-time employment, use of state resources, confidentiality, performance appraisals, and training and development of staff. Also, the manual's policy on Fair Labor Standards Act (FLSA) compensatory time does not comply with state law.

The manual does not clearly and adequately address issues related to e-mail use and retention, or sunshine law requests. The general nature of the office's record retention policy provides little assurance that all necessary records will be properly retained. It does not clearly define a record or specifically indicate that e-mail records are covered under the policy. It also makes no reference to the Secretary of State's Guidelines for Managing E-mail Records, nor does the policy provide other specific guidance to employees regarding the definition of a record and the necessity to retain such records, specifically as it relates to electronic records. Also, the open records policy does not state that a response to the requestor is needed within three business days.

The office did not always comply with state regulations and policies regarding state procurement cards, employee expense accounts, travel expenses of an employee's spouse, and vehicular travel. Additionally, some expenditures were not properly classified, there were duplicate payments, and no one reviews and approves the mansion's SAM II expenditures.

All reports are available on our Web site: www.auditor.mo.gov

OFFICE OF GOVERNOR

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
Jefferson City, Missouri

We have audited the Office of Governor. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2007, 2006, and 2005. The objectives of our audit were to:

1. Determine if the office has adequate internal controls over significant management and financial functions.
2. Determine if the office has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of these controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in the audit of the office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Governor.



Susan Montee, CPA
State Auditor

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF GOVERNOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. State Resources

State laws are ambiguous and contradictory regarding the use of state resources by the Office of Governor for political and personal purposes. The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. He does not reimburse the state for any political or personal use.

For many years, it has been a practice of the state for personnel from the MSHP to provide security for the Governor and his immediate family. In 2005, state law created a formal governor's security division within the MSHP, and Section 43.330, RSMo, allows the governor's security division to "provide transportation, security, and protection for the governor and the governor's immediate family." This section makes no distinction between official state business and events that are personal or political.

It is not clear that the intent of this legislation was to allow the use of state resources for the Governor's political or personal activities. However, Article III, Sections 38(a) and 39 of the Missouri Constitution prohibit the use of state resources for personal or private gain. In addition, there is no specific provision that exists in state law that allows a state official to use any state resource for anything other than official use.

State resources should be used for the benefit of the general public or for a public purpose, and not for personal gain. If the state intends to allow the Governor to use any state resource for anything other than business purposes, legislation should be pursued to clearly allow this practice and other related conditions, such as reimbursement, of such use. At a minimum, until such provisions are approved, with the possible exception of security, the use of any state resource by the Governor for purposes other than official state business should be reimbursed or discontinued.

WE RECOMMEND the Office of Governor pursue legislation regarding its use of state resources, including those of the MSHP, for anything other than official use. With the possible exception of security, until state law is clarified, the Governor should reimburse the state for the use of state resources for purposes other than official state business or discontinue such use.

AUDITEE'S RESPONSE

The Office of the Governor disagrees with this recommendation. State law is not ambiguous regarding the Governor's security detail. The Superintendent of the Missouri Highway Patrol is to appoint a director of governor's security. RSMo, 43.310. The director of the Governor's security, "shall provide transportation, security, and protection for the governor and the governor's immediate family." RSMo, 43.330.1. There is no statutory limitation on this duty imposed on the Superintendent, nor is there any ambiguity. Plainly, the 2005 General Assembly considered the safety of the Governor and his/her immediate family to be paramount. The Office of the Governor sees no need for further legislation nor for reimbursement, given the clarity of the statute.

2. Operating Costs from Other Appropriations

The operations of the Office of Governor have been supplemented by appropriations of the Office of Administration (OA), thus circumventing the appropriation process as established by the General Assembly. In addition, the office paid some expenses of the mansion. Similar practices have been noted in reports on prior administrations.

The Office of Governor receives separate appropriations from the state's General Revenue Fund for the operating costs of the Governor's office and mansion. Office operating appropriations totaled approximately \$2.2 million for the year ended June 30, 2007, and \$1.8 million each year for the years ended June 30, 2006 and 2005. Mansion appropriations were approximately \$138,000, \$123,000, and \$136,000 for the years ended June 30, 2007, 2006, and 2005, respectively.

- A. While it appears the appropriations are intended to cover the basic operating costs of the office and mansion, various employees were budgeted to and paid from appropriations of the OA. These employees were physically located in and supervised by the Governor's office and mansion, and performed duties attendant to programs and functions of the Office of Governor; however, the salaries of these employees were paid from appropriations of the OA.

For fiscal year 2007, 2006, and for the period January 10, 2005 to June 30, 2005, salaries paid from the Governor's and OA's appropriations were approximately:

	FY2007	FY2006	FY2005
Salaries paid by:			(January 10 – June 30)
Governor:			
Office	\$1,692,300	\$1,680,500	\$883,200
Mansion	84,800	76,500	46,900
OA	159,000	154,200	53,100
Total	\$1,936,100	\$1,911,200	\$983,200

According to the OA, four Governor's office employees' salaries are currently paid fully from OA appropriations. These employees include a receptionist, laborer, special assistant professional, and the Deputy Director of Legislative Affairs. Previously, eight different positions were fully or partially paid from OA appropriations, with only six positions paid at any one time. All these employees prepared time sheets for the Office of Governor.

Also, the salaries paid by OA in fiscal year 2006 included those of the mansion assistant director and chef for the fourth quarter, which totaled almost \$16,700. This was done to prevent the mansion from exceeding its own budgeted appropriations.

- B. The OA employees performing duties for the office and mansion do not separately account for and report their time spent on work performed for the Office of Governor.

Some OA employees perform budget, purchasing/expenditure, payroll, and capital asset processing duties for the office and mansion, but are considered employees of the OA and are paid from an OA appropriation. For example, an administrative assistant in the OA Commissioner's Office acts as an office manager for the Governor's office. In previous administrations this position was held by an employee physically located in the Governor's office and paid from the Governor's appropriation. Also, the OA, Information Technology Services Division provides computer support for the office and mansion.

- C. The OA has purchased equipment which is tracked in the state's accounting system (SAM II) as OA assets; however, the equipment is issued to and used exclusively by employees of the Governor's office and mansion.

Various computer and other electronic equipment, totaling over \$67,000, used by office and mansion personnel are tagged and identified as property of OA. In addition, two portable communication devices purchased by the OA are used by personnel of the Governor's office.

- D. Some operating expenses of the mansion were paid from office appropriations. Approximately \$1,610 of mansion-related expenses were paid by office appropriations during the three years ended June 30, 2007. According to OA personnel, this was done to prevent the mansion from exceeding its own appropriations or budget.

The practice of paying Governor's office and mansion salaries and expenses from OA appropriations and using OA personnel and equipment makes it difficult to establish accountability for the true and accurate costs of operating the Office of Governor. The operating costs of the office and mansion should be paid from separate appropriations made specifically for that purpose. Additionally, any time spent by OA personnel on

duties related to the operation of the office and mansion should be paid by the Governor's appropriations.

WE RECOMMEND the Office of Governor discontinue the practice of using OA's appropriations to pay operating costs of the Governor's office and mansion. The Office of Governor should request funding levels sufficient to pay all operating costs of the office and mansion from its own appropriations. If OA personnel perform duties related to the operation of the Office of Governor, their time should be recorded and paid from the Governor's appropriations.

AUDITEE'S RESPONSE

The Office of the Governor agrees that salaries must be used for purposes within the appropriation language, but disagrees with the conclusion that this principle was not followed in this instance. The appropriation at issue for the Office of Administration is for the Governor's Office, and that is specifically provided in the bill language.

The Office of Administration (OA) provides administrative assistance to all agencies of state government, including the Office of the Governor. OA has never undertaken the burden of separately accounting for that time because it would be impractical and would serve no purpose.

Though not mentioned in the recommendation, the audit report notes that OA purchased computer and electronic equipment for the Office of the Governor. Consolidation of information technology (IT) units within state government to the Office of Administration created a more efficient and productive IT work environment never before seen in state government. The Office of Administration Information Technology Division (OA-ITSD) purchases all IT related equipment for state government. The Governor's Office was treated like any other agency in state government.

Though not mentioned in the recommendation, the audit report notes that \$1,610 of mansion operations were paid for with a Governor's Office appropriation. In response, I note that the Office of the Governor and the Mansion operate on less money than was appropriated in fiscal year 2001 and with less budgeted FTE than ever before. The costs paid for by the Office of Administration were minor (\$1,610) and transparent. This office does not intend to repeat this practice.

3.**Capital Assets**

The Office of Governor's records and procedures for its capital assets are not adequate, and did not provide sufficient information to allow us to audit the capital asset balances and transactions. As a result, assets have not been properly accounted for and safeguarded from theft or misuse, and a Statement of Changes in General Capital Assets could not be presented in the History, Organization, and Statistical Information section of this report.

A separate inventory of general capital assets is maintained for the Governor's office and mansion. At January 10, 2005 (beginning of governor's term), the capital assets balance for the office and mansion totaled approximately \$322,700 and \$160,400, respectively. Our review of capital asset records and procedures revealed the following weaknesses:

- A. An annual statement of changes in capital assets is not prepared and a complete list of all additions and dispositions is not maintained for either the office or mansion. Also, capital asset purchases for the office are not routinely reconciled to the property addition records on SAM II. In addition, the mansion maintains separate capital asset records and does not record and track its capital assets on SAM II.

The Code of State Regulations, 15 CSR 40-2.031, requires that each department should annually prepare a statement of changes in capital assets to summarize the transactions occurring during the fiscal year and account for all acquisitions and dispositions. In addition, SAM II provides a standard system for all departments to record and track capital assets and allows for the ease of reporting of capital assets for financial reporting purposes.

- B. The current capital assets listing for both the office and mansion are incomplete and inaccurate.
 - 1. The office's listing includes almost 40 items, totaling over \$91,500, which have been sent to the State Agency for Surplus Property. Office personnel also indicated that additional items, such as computers, portable communication devices, and other electronic equipment on the listing have been replaced by the OA. Additionally, we noted a postage machine, costing \$2,640, which was purchased in March 2007, was not included on the listing. It should be noted that at the time this postage machine was purchased, the state, through the OA, was encouraging individual agencies to eliminate their postage facilities and consolidate and coordinate those functions through the OA mailroom.
 - 2. Although the prior administration's listing for the mansion at January 10, 2005, included over 150 items, the mansion's current listing only contains

54 items, including 11 items purchased by the OA for the mansion's use. Also, numerous items of dinnerware and silverware, as well as pieces of antique furniture, that were included on the prior administration's listing are still physically located in the mansion, but are not on the current listing.

Additionally, although the listing includes identification numbers for about one-half of the items, the listing does not include acquisition costs, acquisition dates, an estimated useful life, locations, or complete descriptions (i.e., make, model and serial number, where appropriate). The listing only provides a general description of the capital asset.

According to the assistant mansion director, the prior administration did not provide a listing of capital assets to the new administration. Therefore, she recently began recording capital assets she thought should be tracked and accounted for. Also, we have provided the mansion staff with a copy of the prior administration's asset listing.

The failure to maintain a complete and accurate inventory listing reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse. Also, the Code of State Regulations, at 15 CSR 40-2.031, requires departments to 1) inventory all equipment costing \$1,000 or more, and 2) maintain adequate capital asset records that contain identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition.

- C. An annual physical inventory of capital assets is not performed and reconciled to capital asset records for either the office or mansion.
1. Although office personnel indicated that a physical inventory was taken in January 2007, it appears documentation of the physical inventory was not retained and the capital asset records were not updated.
 2. According to mansion personnel, a physical inventory of the mansion's capital assets has not been conducted since a physical inventory performed by the prior administration.

Annual physical inventories are necessary to establish proper accountability over capital assets. Also, the Code of State Regulations, at 15 CSR 40-2.031, requires an annual physical inventory of capital assets and the reconciliation of this inventory with the capital asset records and with the prior annual physical inventory. Documentation of the physical inventory should be retained to show compliance with state regulations.

To ensure state-owned capital assets are adequately safeguarded and accounted for, thorough and complete capital asset inventories, including physical observations of the actual items, and investigations of significant discrepancies between the capital asset records and the physical inventory should be preformed. The failure to properly record capital asset items reduces the control and accountability over state-owned property and increases the potential for loss, theft, or misuse of assets.

WE RECOMMEND the Office of Governor:

- A. Prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions. Capital asset purchases should be reconciled to the capital asset records on a periodic basis. In addition, the mansion's capital assets records should be recorded and tracked on SAM II.
- B. Ensure complete and accurate capital asset records are maintained.
- C. Require an annual physical inventory be conducted and reconciled to the capital asset records. The documentation of the physical inventories should be retained to show compliance with state regulations.

AUDITEE'S RESPONSE

The Office of the Governor agrees that a formal capital asset inventory should be undertaken. Though this apparently has never been done in the Governor's Office, Governor Blunt will do so. Having said that, in the time period for this audit, assets were monitored appropriately and the audit report agrees that no state assets were lost during the current administration. The audit report recognizes that Governor Blunt was given no capital asset inventory upon taking office: "the prior administration did not provide a listing of capital assets to the new administration."

4. Mansion Functions

The Office of Governor needs to improve the accountability over the functions held at the mansion to ensure public funds are spent appropriately. The mansion's calendar of events and other documentation do not include a sufficient detailed description of the purpose for each function held at the mansion to provide assurance as to the propriety of the function. In addition, neither the mansion nor the Missouri Mansion Preservation, Inc. (MMPI) retain a list of invitees/attendees for functions held at the mansion.

Mansion expenditures from the state's General Revenue Fund totaled approximately \$138,000, \$123,000 and \$57,000 in fiscal years 2007, 2006, and the period January 10, 2005 to June 30, 2005, respectively. Expenditures of state funds include the salary and fringe benefits of a chef, housekeeper, mansion director, assistant director, and food costs. During fiscal years 2007, 2006, and the period January 10, 2005 to June 30, 2005, food costs totaled approximately \$32,500, \$32,100, and \$7,000, respectively.

From January 10, 2005 to June 30, 2007, the Governor hosted and the state paid for almost 70 official functions which were identified as luncheons, dinners, breakfasts, and receptions. In addition, two legislative receptions, one barbeque, and two functions related to the first lady's initiatives were also held at the mansion and paid for by the state. During this period, the MMPI hosted almost 190 luncheons, dinners, breakfasts, receptions, meetings, or other special activities (not including tours of the mansion). The cost of these events were paid by the MMPI or by the group/organization who scheduled the event. The mansion and the MMPI kept separate calendars of events.

The calendar of events and other documentation maintained by the mansion staff did not include a detailed purpose for the function. The calendar consisted of basic information including a general description, such as luncheon, dinner, reception, etc., date and time, number of guests, and the state as the source of funding. In addition, neither the mansion staff or the MMPI retained the lists of invitees/attendees for the mansion functions.

A complete record should be maintained for mansion functions. In addition to the general details, the record should include a detailed purpose of the function and the list of invitees/attendees should be retained. Without this level of detail, it is impossible to determine if all mansion functions were reasonable, necessary, and prudent uses of public funds and facilities.

WE RECOMMEND the Office of Governor ensure that a complete record of all mansion functions is maintained, including a detailed purpose of the function and list of invitees/attendees, to provide accountability and assurance that taxpayer monies and state facilities are used appropriately.

AUDITEE'S RESPONSE

The Office of Governor disagrees with this recommendation. The audit finds no instances of impropriety in the use of the Governor's Mansion. Creating further documentation is unnecessary. The Mansion was used appropriately by using the current documentation.

5. Governor's Security Costs

The total costs for the Governor's security cannot be readily determined. Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations.

Currently, several patrolmen of the MSHP are assigned to the Governor's security division. The salaries and fringe benefits of the security personnel and their vehicles and related vehicle fuel and maintenance/repair costs are not included in the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP. Additionally, we noted the Governor's office was paying for a cellular telephone which was used by the security personnel.

The Governor's security division receives annual appropriations from the state's General Revenue Fund for the division's operating expenses. The operating costs included expenses such as travel, uniform/clothing allowance, professional development, and equipment. These expenses, totaled approximately \$111,300, \$79,000, and \$72,500 for the years ended June 30, 2007, 2006, and 2005, respectively.

The practice of not including all costs associated with the Governor's security division in the division's appropriations and/or not separately tracking and accounting for personnel and vehicle expenses lessens the accountability of the security division and makes it difficult to determine the total cost to the state for the Governor's security.

WE RECOMMEND the Office of Governor, in conjunction with Department of Public Safety, MSHP, pursue appropriations for the security division sufficient to fund all division operating expenses, including personnel and vehicle expenses.

AUDITEE'S RESPONSE

This recommendation is better directed to the legislature than the Office of Governor. The method by which costs for the Governor's security is funded is established by statute. RSMo, 43.320. The administration of the costs within the Missouri Highway Patrol was not so cumbersome that the audit report was unable to find them, so transparency is not an issue.

6.

Office Policies and Procedures

The office's employee manual needs to be more complete and comprehensive. All relevant policies and procedures have not been explicitly addressed and some information has not been updated as needed. Also, weaknesses were noted in the office's policy regarding compensatory time. Additionally, the office does not give formal documented performance appraisals to its employees.

A. Weaknesses noted in the employee manual include:

- The manual does not clearly and adequately address issues related to e-mail use and retention, or sunshine law requests.

The office's record retention policy provides that "Every record made or received under the authority of, or coming into the custody, control or possession of Governor's office personnel, in connection with the transaction of official business of state government, and having sufficient, legal, fiscal, administrative, or historical value, shall be retained in accordance with Missouri law." The general nature of this policy provides little assurance that all necessary records will be properly retained.

This policy does not clearly define a record or specifically indicate that e-mail records are covered under the policy. The policy also makes no reference to the Secretary of State's Guidelines for Managing E-mail Records, nor does the policy provide other specific guidance to employees regarding the definition of a record and the necessity to retain such records, specifically as it relates to electronic records. Electronic records, including e-mail, must be retained and made available to the public when required.

We also noted the office's open records policy does not state that a response to the requestor is needed within three business days.

Without clear, specific, and adequate guidance, there may be inconsistencies in the employees' understanding, implementation, and compliance with office and state policies regarding records retention and sunshine law requests.

- The manual does not include certain issues typically addressed in an office/employee manual. These issues include part-time employment, use of state resources, confidentiality, performance appraisals, and training and development of staff.
- The manual does not include: 1) a statement that the office adheres to certain statewide policies, 2) a list of the statewide policies followed, or 3) information regarding how to access the statewide policies. Office personnel indicated that for many specific policies the office complies with statewide policies issued by the OA.

Statewide policies include reimbursement of licenses, certificates, and other organizational dues; vehicular travel; hazardous travel; state aircraft; state vehicles; state travel regulations; agency provided food; background checks; tuition reimbursement; and wireless telephone equipment usage and service.

For example, the office failed to maintain a mileage log for its state vehicle in accordance with applicable OA policies. Additionally, documentation supporting office travel and employee expense reimbursements did not include appropriate documentation to support travel decisions to ensure the expenses were minimized and often failed to include a description for the purpose of trips, as required by OA policy.

- Although the manual indicates that a separate Purchasing and Financial Policies and Procedures Manual is available for employees, this purchasing and policies manual was never developed. Office personnel indicated the office is currently preparing this manual.
- The manual's policy on Fair Labor Standards Act (FLSA) compensatory time does not comply with state law. The policy allows non-exempt

employees of the office to accrue compensatory time and retain a maximum balance of 120 hours. However, Section 105.935, RSMo, only allows non-exempt state employees to retain a maximum of 80 hours of FLSA compensatory time at each year end.

- The position of Director of Office Operations no longer exists; however, various manual sections charge this director with administrative duties. The administrative duties assigned to the Director of Office Operations have been transferred to the OA Commissioner's office.

The failure to include and/or to clearly and adequately address office management topics could lead to unnecessary confusion or inconsistencies in the application of policies and in the employees' degree of compliance with and understanding of policies. A complete, comprehensive, and up-to-date employee manual that summarizes policies can benefit both the office and employees by providing a basic understanding between management and employees regarding rights and responsibilities. In addition, an employee manual can provide guidance and control for the effective and consistent management of the office and to help ensure management's policies are fairly and consistently applied to all employees.

- B. At January 1, 2007, an employee's FLSA compensatory time balance exceeded the limit allowed by state law. As noted above, state law provides for a maximum 80 hours of compensatory time be retained at each year end.

The employee had accumulated a balance exceeding 200 hours. Once we brought this situation to the office's attention, the office began the process of decreasing the balance below 80 hours. Also, office personnel indicated the office will follow state law regarding the maximum compensatory time retained and will update the employee manual.

The office needs to ensure their FLSA compensatory time policy is in compliance with state law.

- C. Contrary to office policy, the office allowed an exempt (not qualifying for compensatory and overtime regulations under the FLSA) employee to earn state compensatory time.

According to office personnel, the office had an oral agreement with this individual to allow this practice. However, the office had not documented their reasons and rationale for the arrangement. The office needs to document their reasons and rationale for deviating from official office policy to ensure all employees are treated equitably. Also, the office should have a written agreement with an employee when an arrangement is not in compliance with official office policy.

Office personnel indicated that this practice has ceased and that the office is in the process of eliminating the compensatory balance.

- D. The office does not give formal documented performance appraisals to its employees. Office personnel indicated the evaluation process is informal. According to office personnel, the Chief of Staff meets with each employee individually to discuss job descriptions, performance expectations, goals, and duties of the employees. Also, meetings are held with the supervisors of the employees to ensure that the supervisors are aware of the expectations, goals and duties of the employees they supervised as well as the expectations, goals and duties of the supervisors themselves. Performance reviews are on a periodic and ongoing basis; however, these reviews were not formally documented. According to office personnel, the office is in the process of converting to the OA's Performance, Efficiency and Results for Missouri (PERforM) appraisal system.

To adequately evaluate employee performance and to assist in personnel decisions, the office should complete formal documented employee performance appraisals on an annual basis.

WE RECOMMEND the Office of Governor:

- A. Maintain a complete, comprehensive, and up-to-date employee manual. At a minimum, the issues mentioned above need to be clearly and adequately addressed in the office's policies.
- B. Ensure their compensatory time policy is in compliance with state law.
- C. Document their reasons and rationale when deviating from official office policy. Also, the office should have a written agreement with an employee when an arrangement is not in compliance with official office policy.
- D. Complete formal documented employee performance appraisals on an annual basis.

AUDITEE'S RESPONSE

The Office of Governor agrees with this recommendation and was already conducting the recommended activities before receiving the draft report. The Office Manual is thorough and comprehensive. The Office of the Governor is compliant with all provisions of law regarding the Missouri Sunshine Law and record retention, and the audit finds no instances contrary to this fact. The one instance regarding overtime was an oversight and was corrected immediately upon knowledge of its occurrence. Also, the Office of the Governor, like all other executive branch agencies, is currently in the process of documenting employee performance appraisals on an annual basis.

7.

Expenditures

The office did not always comply with state regulations and policies regarding state procurement cards, employee expense accounts, travel expenses of an employee's spouse, and vehicular travel. Additionally, some expenditures were not properly classified, there were duplicate payments, and no one reviews and approves the mansion's SAM II expenditures.

We noted the following concerns:

- A. The office does not maintain transaction logs for state-issued procurement cards. Additionally, in some instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip to support procurement card purchases. From January 10, 2005 to June 30, 2007, procurement card purchases totaled over \$46,500.

The state's Purchasing Card Process Manual provides that each cardholder maintain a transaction log for their purchases and that all purchases be supported by detailed documentation from the vendor. A transaction log and adequate supporting documentation help facilitate the monthly review of expenditures and help ensure expenditures are actually incurred and represent appropriate uses of state funds.

- B. Some employee expense reports were not completed and submitted in compliance with state regulations.

Four of ten (40 percent) expense reports reviewed were submitted several months after the period they covered, with one of these reports being submitted and paid over a year after the expenses were incurred. Also, one of these ten reports included expenses from several months. In addition, we noted many instances where the purpose of a trip was not documented to support the expenses claimed.

The Code of State Regulations, at 1 CSR 10-11.010 (State of Missouri Travel Regulations), provides that an expense report only cover expenses incurred during a one (1)-month period, and the report should be submitted "currently to facilitate prompt payment." Also, documenting the purpose of a trip helps ensure the expenses are a reasonable and proper use of state funds.

- C. The office did not have the proper approval for the payment of travel expenses of an employee's spouse.

In the fall of 2006, the office paid the travel expenses for an employee and spouse to attend an out-of-state conference with the Governor. However, the office did not have documentation that the reimbursement of the spouse's expenses was pre-approved by the OA.

The Code of State Regulations, at 1 CSR 10-11.010, provides "reimbursement of spouse expenses at an official business function requires a written justification preapproved by the commissioner of administration." The office needs to ensure all required approvals are obtained and retained before paying the expenses of an employee's spouse.

- D. The office does not require cost analysis documentation be retained for deciding the type of vehicle (state, rental, or personal) to be used for travel by employees on state business.

In April 2006, a vehicular travel policy was established by the OA that requires agencies to establish sufficient controls to ensure travel expenses are minimized. Agencies must utilize the Trip Optimizer, maintained by the OA, or other equivalent methods for calculating travel costs to ensure employees use the most cost effective travel options, and agencies must maintain appropriate documentation to support travel decisions.

According to office personnel, a cost analysis, using the OA's "Trip Optimizer", is performed prior to each trip, but documentation of the analysis is not retained. The office needs to ensure adequate documentation is retained to support travel decisions.

- E. Expenditures were not always properly classified in the SAM II. Some expenditures were not charged to the most appropriate object codes. For example:

- Computer equipment and a fax machine, totaling \$651, were charged to equipment repair and maintenance.
- Mansion supplies, totaling \$428, were charged to motor fuel.

- A postage machine, costing \$2,640, was charged as under-threshold equipment. This coding error resulted in the postage machine not being automatically flagged in the accounting system as an asset for which tracking was required, and the machine was subsequently not added to the capital asset records.

The office should ensure that expenditures are charged to the correct and/or most appropriate object code in SAM II. This is necessary to evaluate costs and for budget purposes.

- F. We noted two duplicate payments, totaling over \$600. Office personnel determined one payment had been subsequently refunded by the vendor, and they are pursuing the refund of the second payment. The office needs to establish adequate procedures to ensure duplicate payments for goods and services are not made.
- G. No one reviews and approves the purchase transactions entered by the mansion's assistant director on SAM II to ensure their propriety and correctness before the purchases are processed and paid. The failure to have an independent review and approval of the assistant director's SAM II transactions increases the risk of errors occurring and remaining undetected and the opportunity for fraud to occur.

WE RECOMMEND the Office of Governor:

- A. Require procurement card transaction logs be maintained and adequate supporting documentation is obtained and submitted for the procurement card purchases.
- B. Require expense reports be submitted on a monthly basis, with adequate supporting documentation in compliance with state regulations. In addition, the purpose of the expenses should be documented.
- C. Ensure that written justification of a spouse's expenses at an official business function is preapproved by the OA and retained.
- D. Retain adequate documentation to support travel decisions in accordance with state regulations.
- E. Ensure expenditures are charged to the most appropriate object codes.
- F. Establish adequate procedures to prevent duplicate payments.
- G. Require an independent review and approval of the mansion's SAM II transactions.

AUDITEE'S RESPONSE

- A. *Sufficient supporting documentation was retained on all purchases. The audit report finds found (sic) no instances of impropriety in this regard. However, a transaction log will be created for future purchases. We expect to have this policy in place by March 1, 2008.*
- B. *The Office of Governor agrees with this recommendation but notes that only ten reports for the last three years were reviewed which skewed the analysis. Despite the timing of the expense reports being delayed, the audit report finds no instances of inappropriate expense reimbursements.*
- C. *Proper approval from the Office of Administration will be sought in the future should the need arise.*
- D. *The Governor's Office strives to utilize the lowest cost option for vehicular travel. In instances where no state vehicle is available for use, employees are allowed to utilize their personal vehicle.*
- E. *There were minor coding errors in Sam II as identified in the audit report. Coding errors exist in all state agencies and where found are corrected as soon as possible.*
- F. *The duplicate payment is in the process of being refunded for services that appeared to be separate and distinct.*
- G. *Contrary to the audit report, expenditure reviews for the Mansion are conducted by the Executive Director and the First Lady's Executive Assistant to ensure accountability.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

OFFICE OF GOVERNOR HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The supreme executive power of the state is vested in the governor. Unless otherwise provided by law, he appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, he is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period, passes approval on appropriation bills presented to him by the General Assembly, and subsequent to the passage of such bills, may control the rate at which appropriations are expended. He may reduce the appropriations when actual revenues are below the estimated revenues upon which the appropriations were based.

All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

The governor is required to be at least thirty years of age and must have been a citizen of the United States for at least fifteen years and a resident of this state at least ten years prior to election. The governor is elected at the presidential election for a four year term and is subject to re-election. No person may hold the office for more than two terms.

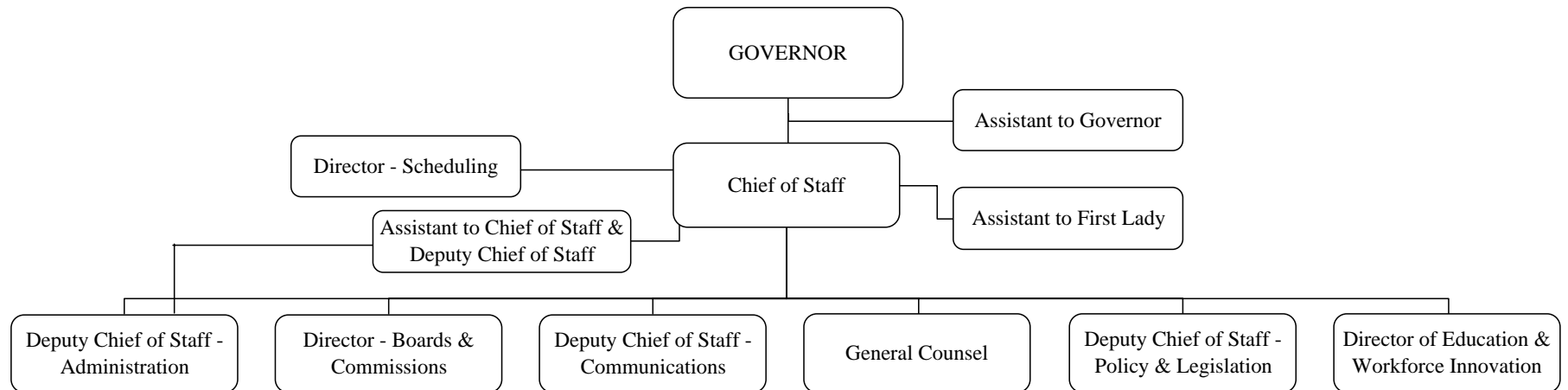
On January 10, 2005, Matt Blunt was inaugurated as the state's fifty-fourth governor. His term expires in January 2009.

The governor and his family reside in the Governor's mansion, located near the capitol. The mansion was first occupied in 1872 and was added to the National Register of Historic Places in 1969. The Governor and First Lady host public and private events at the mansion. Events are also hosted by Missouri Mansion Preservation, Inc., a statewide, nonpartisan, nonprofit organization dedicated to the mansion's restoration and educational programs.

At June 30, 2007, the governor's office employed twenty-four full-time and one part-time personnel. This included staff of the Governor's satellite offices in St. Louis and Kansas City, where they serve as a local point of contact for members of the public, local governments, and organizations. In addition, four full-time personnel were employed at the Mansion.

An organization chart for the office follows:

OFFICE OF GOVERNOR
ORGANIZATION CHART
JUNE 30, 2007



Appendix A-1

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2007

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 1,144,001	1,113,453	30,548
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses - Expense and Equipment	318,759	302,408	16,351
Special Audits	30,000	30,000	0
Mansion Operating Expenses	138,144	138,093	51
Governor's Office	1,892,606	1,873,755	18,851
Total General Revenue Fund	<u>\$ 3,523,510</u>	<u>3,457,709</u>	<u>65,801</u>

Appendix A-2

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2006

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 675,001	646,193	28,808
Special Audits	30,000	10,419	19,581
Mansion Operating Expenses	135,480	123,306	12,174
Governor's Office	1,832,697	1,831,720	977
Total General Revenue Fund	\$ 2,673,178	2,611,638	61,540

Appendix A-3

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2005

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
National Guard Emergency	\$ 150,001	116,252	33,749
Mansion Operating Expenses	157,061	136,216	20,845
Governor's Office	1,869,218	1,745,439	123,779
Association Dues	150,150	142,950	7,200
Total General Revenue Fund	\$ 2,326,430	2,140,857	185,573

Appendix B

OFFICE OF GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Governor's office:					
Salaries and wages	\$ 1,692,312	1,680,495	1,590,746	1,512,081	1,463,525
Travel, in-state	19,003	13,278	22,749	53,789	75,208
Travel, out-of-state	15,174	11,723	6,036	2,680	9,503
Supplies	39,193	31,408	29,056	26,214	48,081
Professional development	4,105	5,206	4,065	2,500	2,995
Communication service and supplies	32,565	35,635	46,340	52,499	49,641
Services:					
Professional	17,353	18,340	32,380	26,481	17,195
Maintenance and repair	1,817	7,053	10,630	17,183	16,740
Computer equipment	0	0	60	1,462	12,751
Motorized equipment	0	0	0	592	0
Office equipment	922	285	20	814	435
Other equipment	4,415	0	0	0	65
Equipment rentals and leases	2,704	2,316	2,140	769	1,699
Agency provided food	3,286	1,250	1,109	1,141	1,266
Miscellaneous expenses	18	12	108	219	100
Total office expenditures	<u>1,832,867</u>	<u>1,807,001</u>	<u>1,745,439</u>	<u>1,698,424</u>	<u>1,699,204</u>

Appendix B

OFFICE OF GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Mansion operating:					
Salaries and wages	84,839	76,561	94,783	91,279	90,588
Travel, in-state	0	0	0	0	18
Supplies	12,977	10,826	7,573	9,956	8,150
Communication service and supplies	0	0	2,777	5,539	4,656
Services:					
Professional	6,194	2,412	4,133	5,393	4,928
Maintenance and repair	1,534	1,430	2,674	2,898	3,796
Computer equipment	0	0	0	50	0
Property and improvements	0	0	42	0	0
Agency provided food	32,549	32,077	24,070	31,995	28,297
Miscellaneous expenses	0	0	164	463	128
Total mansion expenditures	<u>138,093</u>	<u>123,306</u>	<u>136,216</u>	<u>147,573</u>	<u>140,561</u>
National Guard emergency	1,113,453	646,193	116,252	4,805	96,061
Real property rental and leases	302,408	0	0	0	0
Special audits	30,000	10,419	0	41,969	30,000
Association dues	40,888	24,719	142,950	150,050	150,050
Total	<u>\$ 3,457,709</u>	<u>2,611,638</u>	<u>2,140,857</u>	<u>2,042,821</u>	<u>2,115,876</u>

Appendix C

OFFICE OF GOVERNOR
DEPARTMENT OF PUBLIC SAFETY, MISSOURI STATE HIGHWAY PATROL
GOVERNOR'S SECURITY DIVISION
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Travel, in-state	\$ 36,045	33,561	27,086	14,996	11,891
Travel, out-of-state	67,007	36,678	34,524	24,516	36,818
Fuel and utilities	0	0	216	0	0
Uniform and clothing allowance	6,405	5,433	6,884	7,050	6,975
Supplies	344	368	582	2,036	403
Professional development	1,120	470	835	490	140
Communication service and supplies	224	0	0	0	0
Services:					
Professional	0	0	368	18	0
Maintenance and repair	130	104	274	208	283
Computer equipment	0	0	176	80	0
Office equipment	0	0	0	449	0
Other equipment	0	2,400	1,438	567	0
Building lease payments	0	0	100	0	0
Equipment rentals and leases	7	0	0	0	0
Total	<u>\$ 111,282</u>	<u>79,014</u>	<u>72,483</u>	<u>50,410</u>	<u>56,510</u>



SUSAN MONTEE, CPA
Missouri State Auditor

February 19, 2008

Honorable Jeremiah W. (Jay) Nixon
Attorney General
Supreme Court Building
Jefferson City, MO

Dear Attorney General Nixon:

My office was requested by you to review the reimbursement made by your campaign for non-official (political/personal) use of state resources (vehicle and office staff) from November 2004 through October 2007. Our review has determined that at least an additional \$8,618.40 needs to be reimbursed to the state for the use of state resources.

The objectives of our review were to determine if:

1. The reimbursement amount was properly calculated (accurate) and fully reimbursed the state for the use of state resources.
2. The assumptions, records, and supporting documentation for the reimbursement amount are reasonable and adequate.
3. The information provided to the Office of Administration (OA) by the Attorney General and the Lieutenant Governor for their respective reimbursements was similar and adequate.

Attorney General – Sequence of Events, Records, Assumptions, and Methodology

On October 26, 2007, your campaign submitted a check, totaling \$47,021.91, to the OA as reimbursement for the use of a state vehicle and office staff acting as driver/security for non-official purposes. Your campaign personnel calculated the reimbursement amount through the use of campaign calendars. These calendars detailed your daily travel activity for non-official and some official activity. Using these calendars, a daily mileage schedule was prepared which identified mileage per trip and whether the mileage was for non-official or official activities.

Upon the OA's request for documentation, on November 27, 2007, your campaign submitted to OA a summary chart for monthly mileage and staffing costs to support the reimbursement. It appears this chart was based on the daily mileage schedule and included

mileage and staff reimbursements totaling \$19,939.67 and \$27,082.24, respectively. In addition, upon the OA's request for additional documentation, on December 4, 2007, your campaign submitted to OA a spreadsheet of miles per pay period from July 2006 through October 2007.

Although the reimbursement was for the period November 2004 through October 2007, campaign personnel indicated that campaign calendars were only available or retained for the last 16 months of this period, July 2006 through October 2007. As a result, the non-official mileage and staff costs were determined for the period July 2006 through October 2007, and those costs were used to estimate the costs for the period November 2004 through June 2006.

For July 2006 through October 2007, the monthly mileage was determined using the calendars and multiplied by the applicable state fleet mileage reimbursement rate (\$.25 and \$.23 per mile for fiscal years 2008 and 2007, respectively) to establish the mileage costs. For staff costs, the salaries of two office staff, usually assigned as your driver/security, were averaged to establish an average daily staffing rate of \$105.79. This rate was multiplied by the number of non-official days in each month. The entire day was considered non-official if there was at least one event that was identified as non-official.

For the period November 2004 through June 2006 (20 months), mileage and staff costs were estimated based upon the costs calculated for July 2006 through October 2007 (16 months). The mileage costs were calculated by determining the average monthly mileage for the 16 month period and multiplying that number by 20, then multiplying that product by \$.23 (2007 state fleet mileage reimbursement rate). The staff costs for the 20 month period were calculated at 50 percent of the average non-official days each month during the 16 month period. This number was then multiplied by 20, and that product was multiplied by the daily staffing rate. Campaign personnel indicated that they did not believe that driver/security staff accompanied you 100 percent of the time during the earlier period and also that your number of non-official days were probably less during this earlier period.

Limitations

The quality of the records maintained by your campaign was not always adequate to reach definitive conclusions. These records were not maintained for the purpose for which they have been used, that is to provide a means or method to determine non-official and official mileage and office staff costs. Furthermore, the campaign calendars were not retained for the 20 month period from November 2004 to June 2006. Trip mileage was not usually recorded on the campaign schedule and had to be recreated based on trip descriptions, and a mileage log was not maintained for detailing the use of your assigned state-owned vehicle. We used records of the Attorney General's office to the extent possible to document and support our conclusions; however, these official records were maintained to support office functions, not your non-official activities. Although the office maintains schedules for your official activities, these schedules were not retained. In addition, we relied upon verbal representations from office and campaign personnel which we could not always verify with other supporting documentation. However, nothing came to our attention to contradict these verbal representations.

State Auditor's Methodology

The methodology to accomplish our objectives included: 1) recalculating the monthly non-official and official mileage and staff totals recorded on the campaign daily mileage schedule; 2) scheduling the daily mileage and staff from the campaign schedule for 8 of 16 (50 percent) months during the period of July 2006 through October 2007, and reconciling this information to the campaign daily mileage schedule; 3) on a test basis, recalculating the mileage recorded on the campaign daily mileage schedule using a common trip/mileage program; and 4) performing an in-depth review of 8 of the 16 (50 percent) months during the abovementioned period to determine if all applicable costs were reimbursed. Our review of these months included an examination of office records, such as expense reports, attendance records, leave requests, lodging bills, vehicle mileage logs, if maintained, and oral representations made by office personnel. We also obtained the driver/security staff's salary and fringe benefit information from the state's accounting system.

Additionally, we obtained the documentation submitted to the OA by the Lieutenant Governor for his mileage reimbursement for the use of a state vehicle for non-official activity and compared his documentation to the documentation submitted by your campaign staff to substantiate the reimbursement amount.

Procedures and Results

We identified additional costs which appear to have been incurred for non-official activity which were not taken into consideration by your campaign when determining the amount of reimbursement. These additional costs include meals, mileage, lodging, and fringe benefits. We also adjusted mileage costs based on an error we discovered in the campaign summary chart, and reduced mileage and staff costs for days we believed were for official activities, which were reimbursed as non-official activities or when staff costs were reimbursed and it appeared state resources were not used, such as activities on a weekend or after normal work hours.

We performed an in-depth review of the documentation related to 8 of 16 (50 percent) months from July 2006 through October 2007, to determine if all relevant costs were considered for reimbursement. We concluded from our detailed review of these eight months and from a scan of all campaign calendars for the 16 month period that there was a significant degree of similarity in the issues evaluated, similar questions, answers, and office records, if applicable. Therefore, we have no reason to believe that a review of the other eight months would result in a material/significant different result. Consequently, the results of our review of the eight months were applied to the other eight months not reviewed from the July 2006 through October 2007 period. Furthermore, the total costs for the 16 month period were then applied to the 20 month period of November 2004 through June 2006 for which no documentation was available for review in a manner similar to that used by the campaign staff to determine the reimbursement amount.

Our analysis of the available records and the impact of a variety of other errors and omissions indicate that an additional \$8,618.40 needs to be reimbursed to the state for your non-official use of state resources. The applicable time periods, types of costs, and amounts are as follows:

Applicable Time Periods	Type of Cost	Amount Under (Over) Paid
July 2006 to October 2007	Meals	\$ 950.18
July 2006 to October 2007	Mileage	1,157.92
July 2006 to October 2007	Lodging	1,437.38
July 2006 to October 2007	Staffing	(3,808.44)
July 2006 to October 2007	Fringe benefits	5,160.03
November 2004 to June 2006	Meals	1,187.73
November 2004 to June 2006	Mileage	1,324.51
November 2004 to June 2006	Lodging	1,796.73
November 2004 to June 2006	Staffing	(3,355.30)
November 2004 to June 2006	Fringe benefits	2,767.66
Total additional costs		<u>\$ 8,618.40</u>

Regarding the information provided to the OA by the Attorney General and the Lieutenant Governor, the Attorney General's reimbursement included both mileage and staffing costs while the Lieutenant Governor's reimbursement included only mileage costs. However, both mileage reimbursement calculations were based on estimated amounts. Neither office maintained mileage logs for the vehicle assigned to the elected official. Based on discussions with OA officials, it appears the Lieutenant Governor did not provide documentation supporting the reimbursement amount when he submitted the reimbursement check. However, the OA officials indicated the documentation was available to them for review and they obtained the supporting documentation at a later date. The Lieutenant Governor's documentation included the commute and official miles by pay period and all other miles driven were considered non-official miles and the state was reimbursed for the non-official miles. In December 2007, you submitted to OA a schedule of only non-official miles by pay period.

The information provided to the OA by both you and the Lieutenant Governor for the respective mileage reimbursements appeared similar. However, a detailed vehicle mileage log is needed for adequate supporting documentation to determine the propriety of vehicle usage.

Conclusions

We cannot conclude with certainty that the state was fully reimbursed for the non-official use of a state vehicle and office staff from November 2004 through October 2007. An exact amount cannot be determined due to inadequate records or lack of records. Although some of the assumptions used by your campaign staff to determine the reimbursement amount may be questionable, other methods may not produce results that are more reliable or acceptable because of lack of records. Consequently, your reimbursement may be reasonable based on your assumptions and methodology. However, as noted above, because of certain errors and omissions, we believe certain costs were not considered in your calculation and should be reimbursed to the state.

The documentation submitted by you for the use of a state vehicle for non-official purposes was similar in nature to the documentation submitted by the Lieutenant Governor. Since the Lieutenant Governor made no admission regarding the use other state resources for non-official purposes, we reached no conclusion regarding the documentation you submitted to the OA for the use of office staff for non-official purposes.

Although we reviewed and evaluated your reimbursement for the use of state resources for non-official purposes, there is no provision that exists in state law that allows any state official to use state resources for non-official (personal or political) purposes. Furthermore, there are no provisions that allow non-official use as long as there is appropriate reimbursement. Thus, no state resource should be used for purposes other than official state business. Office personnel stated that effective October 25, 2007, you no longer used any state resources for activities that could be considered non-official.

However, since you used state resources for activities that were personal or political, it appears appropriate that the state be reimbursed for such non-official use. In addition to the \$47,021.91 payment, an additional \$8,618.40 is owed to the state to ensure the state is more fully reimbursed for the cost of such use.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor



Susan Montee, CPA
Missouri State Auditor

County Collector Cole County



February 2008
Report No. 2008-07

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

February 2008

Our office conducted an audit of the County Collector of Cole County, Missouri.

State law requires the Missouri State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. William (Skip) Rich served as County Collector until his resignation on October 2, 2007. Larry Vincent was appointed County Collector and sworn into office on October 3, 2007. The County Collector bills and collects property taxes for the county and most local governments.

The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to the cash balance in the regular tax account. Since there was no reconciliation prepared as of September 30, 2007 (the date of the former County Collector's final settlement), the Collector's office prepared a listing of liabilities at November 30, 2007. The reconciled bank account balance at November 30, 2007, was \$5,808,864, and the Collector's office identified liabilities totaling \$5,805,921, resulting in \$2,943 which could not be identified to specific liabilities.

Controls over property tax additions and abatements should be improved. No one independent of the tax collection process reconciles the monthly reports of additions and abatements to court orders.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

COUNTY COLLECTOR
COLE COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
County Collector
Cole County, Missouri

Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. The County Collector of Cole County resigned effective October 2, 2007. A successor was appointed and sworn into office effective October 3, 2007.

To satisfy our statutory obligation, we have audited the operations of the County Collector of Cole County. The scope of our audit included, but was not necessarily limited to, the period March 1 to October 2, 2007, and the years ended February 28, 2007 and 2006. Cole County was audited by Williams Keepers, LLC, for the years ended December 31, 2006 and 2005. The objectives of our audit were to:

1. Determine the financial condition of the accounts of the office of the County Collector.
2. Determine the proper compensation that should have been paid to the prior County Collector during the audit period and the compensation actually paid during such period.
3. Determine if the County Collector has adequate internal controls over significant financial functions.
4. Determine if the County Collector has complied with certain legal provisions.
5. File a report of our findings with the County Commission and the individual appointed to fill the vacancy in the office of the County Collector.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office of the County Collector, as well as other county officials and certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and Cole County and was not subjected to the procedures applied in the audit of the County Collector.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owing to the county or the past County Collector. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector of Cole County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA
In-Charge Auditor: Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

COUNTY COLLECTOR
COLE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

County Collector's Controls and Procedures

Cash balances were not reconciled to liabilities, and controls over property tax additions and abatements should be improved.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2007 and 2006, property taxes and other monies totaling approximately \$61.8 million and \$60.3 million, respectively, were collected and distributed. The former County Collector prepared a final settlement for the period March 1, 2007 to September 30, 2007, and collections totaled approximately \$2 million for this time period.

- A. The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to the cash balance in the regular tax account. Since there was no reconciliation prepared as of September 30, 2007 (the date of the former County Collector's final settlement), the Collector's office prepared a listing of liabilities at November 30, 2007. The reconciled bank account balance at November 30, 2007, was \$5,808,864, and the Collector's office identified liabilities totaling \$5,805,921, resulting in \$2,943 which could not be identified to specific liabilities. The majority of the liabilities represent November tax collections which were distributed in December, but also included amounts for partial payments held until full payment is received and other items such as returned checks and overpayments to be refunded.

Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is less assurance that receipts and disbursements have been properly handled and recorded.

- B. Controls over property tax additions and abatements should be improved. The County Assessor's office makes changes to the property tax system for personal property. A daily audit trail report is generated by the Assessor's office and given to one of the county commissioners to approve. A copy of the signed daily audit trail is given to the County Collector's office. For changes to real estate, the County Clerk's office prepares a court order for each change based upon information from the Assessor's office, which is approved by the County Commission. A copy is given to the Collector's office and the Chief Deputy Collector enters the changes into the property tax system. Monthly reports of total additions and abatements are generated by the Collector's office. The County Auditor receives a copy of the court orders from the County Clerk's office

and the monthly reports of total additions and abatements generated by the Collector's office. No one independent of the tax collection process reconciles the monthly reports of additions and abatements to the daily audit trail reports and court orders. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If this is not feasible given the county's property tax system setup and procedures, the County Auditor could periodically reconcile approved additions and abatements to actual changes made to the system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

WE RECOMMEND the County Collector:

- A. Prepare monthly listings of liabilities, reconcile this listing to the bank balance, investigate any unidentified differences, and make the appropriate adjustments to correct any differences noted.
- B. Work with the County Commission, County Clerk, and County Auditor to develop procedures to ensure any changes to the property tax system are properly approved and monitored by someone independent of the tax collection duties.

AUDITEE'S RESPONSE

- A. *We are currently working on reconciling the existing differences and will distribute any funds remaining other than those needed to maintain a working balance in this account.*
- B. *The Collector's office will provide the Auditor's office with an audit trail and spreadsheet each month for the changes that are made. In addition the Auditor's office receives copies of all court orders for changes to the real estate property taxes. The county's current outside audit firm also tests these procedures on an annual basis.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

COUNTY COLLECTOR
COLE COUNTY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

William (Skip) Rich served as County Collector until October 2, 2007. Larry Vincent was appointed the Cole County Collector and sworn into office on October 3, 2007.

The County Collector received compensation of \$32,060 for the period March 1 to October 2, 2007. During the years ended February 28, 2007 and 2006, the County Collector received compensation of \$54,244 annually. Compensation was in accordance with statutory provisions.

The following schedule reflects amounts from the records of the County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the County Collector's office. Operating costs are paid from the General Revenue Fund of the county and the Collector's Tax Maintenance Fund.

Appendix

COLE COUNTY
COUNTY COLLECTOR
SCHEDULE OF REVENUES AND EXPENDITURES

	Period March 1 to October 2, 2007	Year Ended February 28, 2007	Year Ended February 28, 2006
REVENUES			
Property taxes	\$ 3,238,355	64,277,229	62,634,231
Interest	152	477	0
Other	426,788	674,530	563,124
Less Provision for Uncollectible Accounts	(1,657,183)	(3,133,023)	(2,865,984)
Total Revenues	<u>2,008,112</u>	<u>61,819,213</u>	<u>60,331,371</u>
EXPENDITURES			
State of Missouri	10,498	362,957	353,514
General Revenue Fund	118,227	4,091,433	3,986,642
Special Road and Bridge Fund	94,514	3,280,543	3,196,489
Assessment Fund	13,424	462,164	454,938
Cole County Special Services	30,337	1,050,631	1,021,957
School districts	1,267,357	43,713,032	42,574,805
Library district	65,089	2,218,186	2,154,156
Fire protection districts	42,950	1,244,774	1,200,336
Levee district	0	24,153	24,153
Tax increment financing districts	0	3,452	3,467
Neighborhood improvement districts	0	84,909	85,069
Cities	125,862	4,222,358	4,278,890
Other	30,798	16,945	15,109
County Clerk	6,471	14,129	13,302
County Employees' Retirement Fund	109,602	242,654	215,053
Tax Maintenance Fund	35,887	67,826	55,737
Commissions and fees:			
General Revenue Fund	57,096	719,067	697,754
Total Expenditures	<u>2,008,112</u>	<u>61,819,213</u>	<u>60,331,371</u>
REVENUES OVER (UNDER) EXPENDITURES \$	<u>0</u>	<u>0</u>	<u>0</u>



Susan Montee, CPA
Missouri State Auditor

ADMINISTRATION

Review of Article X, Sections 16 Through 24, Constitution of Missouri

Year Ended June 30, 2007



January 2008

Report No. 2008-06

auditor.mo.gov



Office Of
Missouri State Auditor
Susan Montee, CPA

January 2008

The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2007.

Total state revenue was calculated at \$9 billion, while the refund threshold was calculated at \$10.4 billion, which means state revenue was under the revenue limit by \$1.4 billion for the year ended June 30, 2007.

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YELLOW SHEET

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Michael Keathley, Commissioner
Office of Administration
Jefferson City, MO 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2007, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2006. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the information in the Exhibits is fairly stated in all material respects.

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, of the Constitution of Missouri.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
Audit Manager:	Jeff Thelen, CPA

EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2007, 2006, 2005, 2004, and 2003. The results of our review determined that for the year ended June 30, 2007, TSR was approximately \$1.38 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2007.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state decided not to recalculate TSR for those years. However, for fiscal year 1998, the state excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation

sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.



EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS
(IN MILLIONS)

	Year Ended June 30,				
	2003	2004	2005	2006	2007
TOTAL STATE REVENUE (TSR)					
Total state receipts	\$ 18,347.05	18,893.99	19,500.87	20,919.97	21,928.92
Less excluded revenue	(9,904.25)	(10,050.55)	(10,288.16)	(11,170.56)	(11,675.58)
Less expenditure refunds	(1,252.34)	(1,126.23)	(1,127.33)	(1,185.51)	(1,272.91)
Add refundable tax credits	10.07	4.07	4.79	31.20	5.08
TSR	\$ 7,200.53	7,721.28	8,090.17	8,595.10	8,985.51

REVENUE LIMIT AND REFUND THRESHOLD

Missouri personal income	\$ 159,093.00	161,648.00	168,512.00	175,524.00	181,066.00
Base year ratio	x 0.056395	0.056395	0.056395	0.056395	0.056395
Base limit	8,972.05	9,116.14	9,503.23	9,898.68	10,211.22
Judicial article amendment	43.52	44.28	45.81	45.81	47.64
Revenue limit	9,015.57	9,160.42	9,549.04	9,944.49	10,258.86
1 percent adjustment	90.16	91.60	95.49	99.44	102.59
Refund threshold	\$ 9,105.73	9,252.02	9,644.53	10,043.93	10,361.45

REFUND CALCULATION

TSR	\$ 7,200.53	7,721.28	8,090.17	8,595.10	8,985.51
Less refund threshold	9,105.73	9,252.02	9,644.53	10,043.93	10,361.45
Over (Under) Threshold	(1,905.20)	(1,530.74)	(1,554.36)	(1,448.83)	(1,375.94)
1 percent adjustment	0.00	0.00	0.00	0.00	0.00
Refund	\$ 0.00	0.00	0.00	0.00	0.00

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2003	2004	2005	2006	2007
			\$				
	1001	Sales and use tax	1,737,612,158	1,821,777,954	1,887,769,667	1,957,288,809	2,035,863,087
	1003	(l) Parks sales and use tax	35,939,862	37,391,971	38,608,924	39,628,892	41,334,134
	1005	(k) Soil and water sales and use tax	35,947,537	37,394,824	38,608,927	39,632,549	41,334,138
	1007	General revenue reimbursements - local sales and use tax	1,838,920	1,952,122	1,850,561	1,874,991	1,869,288
	1009	Motor vehicle sales tax	210,455,391	215,078,975	210,749,553	73,944,788	63,299,893
	1009	(dd) Motor vehicle sales tax - Amendment 3	-	-	-	106,679,065	166,565,679
	1011	(u) Conservation sales and use tax	89,855,329	93,488,139	96,524,659	99,069,219	103,332,575
	1013	(f) Proposition C sales and use tax	702,831,412	731,735,057	756,380,208	778,913,723	815,417,913
	1015	Sales and use taxes paid under protest	304,292	6,034,772	925,453	154,942	133,448
	1022	Individual income tax	4,392,707,326	4,579,484,729	4,866,347,540	5,360,652,738	5,736,714,734
	1024	Individual income taxes paid under protest	42,353	55,591	121,038	27,095	78,291
	1026	Corporate income tax	366,848,435	329,596,001	354,390,367	528,814,068	553,946,111
	1028	Corporate income taxes paid under protest	1,451	-	-	27,012	2,311
	1033	County foreign insurance tax	157,209,442	162,129,552	165,480,625	189,702,198	199,210,713
	1037	Worker's compensation insurance tax	18,558,537	45,780,130	23,532,434	2,070,359	6,289,512
	1039	Worker's compensation insurance tax - second injury	43,490,045	73,637,324	73,796,417	69,529,997	64,288,526
	1041	Excess lines of insurance tax	19,545,210	23,300,865	24,929,980	22,028,985	25,158,519
	1049	Heavy beer tax	8,162,402	8,287,133	8,127,177	8,368,270	8,380,561
	1051	Light beer tax	52,013	43,970	44,632	41,247	31,303
	1053	Liquor tax	14,914,429	15,792,060	16,159,921	16,848,358	18,421,990
	1055	Wine tax	3,679,658	3,902,201	3,975,042	4,286,145	4,496,356
	1057	Cigarette tax	97,945,955	98,815,335	99,247,687	99,873,124	96,959,034
	1059	Tobacco product tax	10,204,096	10,837,459	11,035,093	11,448,194	11,917,483
	1060	Motor vehicle fuel tax	394,517,707	407,048,241	415,205,844	415,115,603	412,792,165
	1060	(g) Motor vehicle fuel tax	168,030,100	173,258,962	176,987,003	175,587,964	175,375,774
	1060	(p) Motor vehicle fuel tax	149,130,374	153,771,103	157,079,820	-	-
	1060	(dd) Motor vehicle fuel tax - Amendment 3	-	-	-	155,838,142	155,649,820
	1062	Special fuel non-gas tax	2,431,054	1,829,636	2,118,492	1,240,891	1,312,257
	1062	(dd) Special fuel non-gas tax - Amendment 3	-	-	-	106,978	92,863
	1064	Aviation fuel tax	549,406	409,621	405,276	353,686	336,589
	1070	Corporation franchise tax	70,265,700	91,387,675	119,446,502	77,827,368	77,788,371
	1073	Estate tax	81,496,285	75,115,067	42,221,932	15,569,883	5,971,861
	1074	(q) Bingo tax	3,209,784	2,909,716	2,703,789	2,472,633	2,282,012
	1076	(r) Gaming commission gross receipts tax	234,237,771	251,587,273	270,532,391	286,934,255	286,393,286
	1080	Real and personal property tax	18,888,626	19,450,597	19,737,535	22,825,969	23,605,723
	1082	Delinquent real and personal property tax	2,601,540	3,312,254	3,499,542	2,281,634	2,791,494
	1084	Hazardous waste fees	3,363,038	3,367,830	3,100,982	1,287,666	1,860,180
	1085	Managed care organization reimbursement allowance	-	-	-	17,174,996	-
	1086	Miscellaneous taxes paid under protest	-	-	-	-	9,537
	1088	Nursing facility reimbursement allowance	9,314,474	9,833,951	13,116,650	11,810,655	12,161,891
	1089	Pharmacy reimbursement allowance	15,320,294	17,131,990	18,995,336	15,079,728	8,915,898
	1090	Federal reimbursement allowance	13,566,447	15,134,996	33,782,892	17,142,839	8,700,416
	1093	Athletic events tax	57,801	95,742	180,817	86,504	174,484
	1095	Surcharges	695,555	766,956	1,566,759	8,261,197	14,141,291
	1097	Agency collected sales taxes	415,473	435,451	386,577	374,927	407,964
	1099	Other taxes	64,944	90,237	109,316	88,684	76,928
	1100	Professional licenses or permits	20,593,036	26,304,410	23,938,936	26,330,221	23,446,674
	1102	Recreational licenses or permits	4,198,718	4,435,398	4,656,292	4,313,421	4,572,038
	1104	All-terrain vehicle licenses or permits	852	118	362	1,029	2,044
	1106	Motor vehicle licenses or permits	166,405,505	174,810,579	180,565,635	104,739,988	78,597,030
	1106	(dd) Motor vehicle licenses or permits - Amendment 3	-	-	-	81,033,917	81,093,455

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2003	2004	2005	2006	2007
	1108	Interstate transportation licenses or permits	57,332,152	56,525,164	59,110,421	50,934,127	49,638,906
	1108	(g) Interstate transportation licenses or permits	5,054,226	4,964,903	5,066,222	-	-
	1108	(dd) Interstate transportation licenses or permits - Amendment 3	-	-	-	24,600,544	22,381,807
	1110	Driver's licenses or permits	22,864,738	16,559,810	17,088,649	7,938,652	7,524,695
	1110	(dd) Driver's licenses or permits - Amendment 3	-	-	-	9,609,103	9,467,142
	1112	Land reclamation commission permits	469,778	536,854	535,465	567,114	541,457
	1114	Salesman licenses or permits	3,209,485	225,190	252,940	254,160	247,560
	1116	Vehicle and boat manufacturer and dealer licenses	923,960	973,838	976,181	992,413	980,078
	1118	Liquor licenses or permits	3,799,292	3,877,954	3,986,540	4,118,092	4,180,895
	1120	Gaming commission licenses	2,216,175	1,873,125	1,777,891	1,441,184	1,728,790
	1122	Beer licenses or permits	11,038	8,849	7,472	6,861	18,545
	1124	Motor carrier licenses	2,503,702	2,516,988	2,611,895	2,292,089	2,073,834
	1126	Hunting and fishing licenses and commission permits	28,407,143	29,224,056	29,295,503	28,285,286	29,535,358
	1127	Hunting and fishing special tags	1,321,864	1,126,188	1,134,412	1,186,138	1,161,514
	1128	Hazardous waste transporter licenses	281,820	286,091	338,746	164,379	376,836
	1130	Water pollution control permits	3,987,010	4,318,335	4,377,961	4,542,878	5,033,755
	1132	Overdimension/overweight permits	4,454,546	4,913,789	5,286,025	2,568	3,892
	1132	(dd) Overdimension/overweight permits - Amendment 3	-	-	-	5,615,174	6,620,053
	1134	Merchant licenses	996,908	1,044,668	1,178,706	1,132,984	1,267,445
	1136	Tobacco licenses	24,500	25,300	24,100	25,900	27,000
	1138	Temporary licenses	675	742	755	307	125
	1140	Duplicate plates	1,802	1,865	2,201	17,836	23,936
	1149	Other licenses and permits	3,365,225	3,703,824	5,356,182	3,364,580	3,152,349
	1149	(dd) Other licenses and permits - Amendment 3	-	-	-	1,578,504	1,753,449
	1150	Lobbyist registration fees	2,130	1,340	1,970	2,961	13,510
	1152	Motorboat fees	5,781,775	6,812,398	7,852,101	6,970,789	10,266,665
	1154	Narcotics and dangerous drugs fees	1,024,210	805,479	620,506	999,794	778,581
	1156	Occupational boards exam fees - individual exam fees	711,368	879,392	969,081	594,716	616,843
	1160	Non-motor fuel decal fees	135,790	115,455	100,966	-	-
	1160	(dd) Non-motor fuel decal fees - Amendment 3	-	-	-	110,608	83,977
	1162	Filing fees	14,289,774	20,980,420	19,927,361	19,517,988	19,269,826
	1163	Certifying/Authenticating Fees	-	726,665	192,184	64,251	49,425
	1164	Transfer fees	24,328	21,547	27,014	30,365	27,690
	1165	Service contract registration fee	-	-	-	-	62,500
	1169	Other registration fees	12,464,041	7,213,300	7,542,362	7,343,546	7,832,821
	1174	Asbestos fees	251,871	247,992	276,147	286,911	238,255
	1178	Milk control fees	52,507	100,087	64,066	63,193	43,058
	1180	Home health care license fees	120,000	121,350	117,750	112,800	129,100
	1182	Nursing home license fees	146,683	135,174	132,404	164,447	128,726
	1184	Title V emissions fees	7,926,714	8,663,826	8,250,446	8,531,692	8,638,247
	1185	Emission fees/non Title V facilities	368,441	368,492	344,704	382,437	356,012
	1186	Boarding home license fees	725,487	712,583	724,251	718,914	715,186
	1188	Public utilities fees	19,702,341	19,990,103	19,261,361	18,355,749	20,190,954
	1190	Hospital license fees	94,152	86,032	83,647	85,704	85,398
	1192	Grain warehouse license fees	33,687	33,964	34,161	32,246	34,159
	1194	Missouri primacy fees	2,666,930	2,639,033	2,794,025	2,560,720	3,558,666
	1196	Underground storage tank annual participation fees	1,234,514	597,671	-	-	-
	1198	Transport load fees	22,803,622	23,904,017	23,665,383	23,389,711	23,634,784
	1200	Storage tank registration fees	46,205	215,545	224,440	259,296	70,850

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2003	2004	2005	2006	2007
	1202	Tourist cabin permit fees	190,954	195,510	46,881	186,847	183,255
	1206	Solid waste disposal fees	10,998,242	11,012,418	11,473,573	11,855,266	12,735,973
	1208	New tire fees	2,241,714	1,623,688	27,332	953,815	2,104,673
	1209	Battery Fee	-	-	-	288,524	722,637
	1210	Ground water protection fees	444,101	543,966	623,233	666,068	618,151
	1214	Insurance regulatory fees, renewals and purchasing groups	1,829,238	1,787,206	1,718,125	2,451,504	1,425,228
	1216	Air conservation commission permit fees	463,279	472,619	449,690	349,094	299,163
	1218	Bingo license fees	69,820	62,277	67,275	52,570	49,030
	1220	Lab fees	1,800,967	2,461,317	2,424,212	4,432,911	4,639,903
	1222	Program administration fees	768,707	726,810	713,491	731,723	785,700
	1223	Confined animal feed operation indemnity fees	33,486	64,619	37,731	41,953	29,517
	1224	Railroad assessments	539,513	654,101	971,729	499,106	863,313
	1227	Enhanced vehicle emission inspection fees	1,707,770	1,706,183	1,738,699	1,685,333	1,688,837
	1229	Beverage inspection fees	55,556	-	-	-	-
	1233	Grain warehouse inspection fees	1,616,019	1,573,755	1,741,117	1,529,055	1,508,603
	1235	Milk inspection fees	1,366,630	1,383,077	1,379,483	1,196,302	1,073,188
	1237	Ice cream products inspection fees	39,460	27,280	31,700	31,360	33,060
	1239	Mine inspection fees	74,486	75,953	66,982	88,502	72,498
	1241	Mobile home and recreational vehicle inspection fees	428,085	654,744	745,037	823,258	848,302
	1243	Oil inspection fees	2,164,079	2,567,947	2,557,810	2,543,426	2,527,235
	1249	Other inspection fees	1,197,621	1,302,603	1,370,310	1,503,392	1,436,877
	1250	Collection fees	17,941,164	18,813,734	19,775,880	21,095,935	22,675,134
	1250 (c)	Collection fees - Fund 880	7,149	-	-	-	-
	1252	Admission fees	1,191,555	1,292,168	1,341,952	1,108,448	1,326,303
	1252 (r)	Admission fees - Riverboat gambling	51,061,261	52,561,952	54,146,991	54,679,803	50,902,479
	1254	State auditor fees	991,184	840,199	1,071,601	1,231,909	1,013,252
	1260	Grade crossing safety fees	1,204,109	1,215,990	1,250,036	1,491,051	1,548,723
	1262	Loan administration fees	2,624,013	3,145,252	3,810,458	4,274,803	5,163,127
	1262 (c)	Loan administration fees - Fund 881	-	-	-	1,895	5,537,769
	1264	Court fees	17,478,866	20,538,094	21,604,235	22,925,711	23,032,841
	1266	Financial institutions examination fees	6,476,118	6,990,259	7,209,189	7,924,104	7,911,716
	1268	Consumer finance license fees	793,125	875,325	986,550	1,005,300	1,053,225
	1270	Transcript fees	170,160	147,137	139,175	143,371	123,751
	1272	Land Survey Fees	-	-	(1,300)	-	-
	1274	Marketing development fees	185,869	181,565	212,008	309,413	46,619
	1276	Miscellaneous insurance fees	647,075	669,215	601,590	514,125	500,230
	1278	Gaming commission administrative income	3,762	3,648	1,011	933	195
	1279 (a)	Lottery commission fees	338,073	290,689	387,762	337,854	320,659
	1280	Motor vehicle inspection sticker fees	4,412,638	4,457,993	4,533,806	4,466,495	4,569,287
	1282	Logo sign advertising fees	3,545,681	3,805,960	4,161,752	4,608,913	5,287,240
	1284	Public defender fees	1,142,491	1,456,724	1,455,500	1,771,541	1,732,334
	1286	Witness fees	4,304	8,060	6,961	6,162	12,598
	1286 (a)	Witness fees - Fund 657	40	-	-	-	-
	1288	County recorders fees	11,423,587	11,038,590	9,404,215	9,501,397	8,941,272
	1290	Training or conference fees	40,290	40,537	45,410	96,483	150,108
	1294	Electronic monitoring fee	1,493,475	1,634,176	1,640,776	1,626,475	1,299,497
	1298	Substance abuse offender program fees	1,924,812	3,642,414	3,872,787	3,946,177	3,966,623
	1302	Criminal records check fees	4,344,223	4,116,455	5,669,234	6,733,119	6,958,215
	1303	Other fees	5,720,090	6,526,807	7,025,043	11,724,083	23,408,294
	1305 (h)	Bond sales proceeds	398,337,310	262,829,539	3	370,196,052	829,993,881
	1310	Land sales	2,027,355	4,755,543	5,512,710	5,001,965	3,836,054
	1312	Sales of natural resources products	2,698,580	2,878,772	3,524,846	3,836,475	4,418,501

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1314	Sales of agriculture products	1,416,064	1,667,391	1,750,295	1,852,115	1,711,914
1316	Manufactured product sales	5,404,285	8,276,056	7,799,864	7,892,157	8,333,588
1318	Information sales	3,361,956	3,343,120	3,237,949	3,283,582	3,273,720
1320	Souvenir sales	620,334	617,851	626,113	595,639	566,016
1322	Surplus property sales - State	1,650,166	2,345,583	1,626,659	1,522,369	3,030,067
1322 (a)	Surplus property sales - state - Fund 657	-	-	-	10,000	-
1322 (aa)	Surplus property sales - state - Fund 710	787,350	1,088,245	1,374,300	746,426	1,038,204
1324	Surplus property sales - Federal	2,318,658	2,037,258	2,281,737	2,903,435	2,761,749
1326	Unclaimed Property Sales	3,796	350	-	-	-
1328	Sales of fixed assets - control	7,368,247	6,405,790	6,740,642	9,052,606	27,501,823
1330	Vital records sales	1,244,136	1,200,507	1,436,055	1,867,182	1,714,728
1332 (a)	Lottery ticket sales	310,793,243	366,115,206	345,575,845	416,691,040	405,909,024
1334	Cafeteria sales	680,970	720,508	613,530	654,178	678,666
1338	Other sales	460,178	618,051	238,143	223,093	161,139
1338 (a)	Other sales - Fund 657	-	-	643	-	-
1340	Gain on sale of fixed assets	15,411	-	-	-	-
1342	Supply sales	797	637	618	342	-
1401	Land rentals/leases	1,066	1,066	1,066	56,052	802
1403	State facilities rentals/leases	786,443	915,819	703,612	762,715	764,022
1404	Parking rentals/leases	80,831	75,793	68,872	72,349	67,046
1405	Concessions and recreational rentals/leases	2,286,164	2,093,605	2,310,330	2,292,138	2,265,352
1407	Housing/building rentals/leases	327,344	271,249	255,272	267,281	483,807
1409	Other leases and rentals	1,285,740	1,161,489	842,244	820,430	1,155,026
1414 (e)	Medicare	10,023,586	7,891,969	13,104,191	11,840,541	14,355,763
1418 (e)	Medicaid	113,715,423	116,247,130	113,767,474	104,129,943	94,774,725
1420 (e)	Medicaid - community based	55,460,400	29,086,883	46,154,590	114,403,516	116,805,982
1422	Private Payments	8,012,154	7,643,629	7,484,711	7,172,906	6,705,792
1424	Insurance payments	2,832,410	2,483,663	2,183,788	2,627,062	2,053,140
1426	Other payments	225,715	164,919	82,499	223,016	6,913
1434	Institutional support fees	55,357	171,780	29,525	73,761	98,527
1436	Room and care	18,807,181	20,559,387	23,390,722	25,408,983	26,844,689
1438	Fleet services operations/maintenance	-	-	-	395	-
1442	Mail/freight services	1,170	2,555	1,686	1,798	581
1444	Telephone billing	-	698	-	-	-
1446	Printing service	81,288	99,901	112,719	156,303	166,681
1448	Computer services	1,850	1,673	3,699	4,279	3,897
1450	Administration services	-	3,025	-	-	45
1452	Flight Operations Services	29,352	-	-	-	-
1501	Private donations	4,233,004	3,494,597	3,038,212	2,132,328	2,944,164
1502	Other governmental entity donations	-	29,000	6,458	35,470	-
1507 (e)	NASAO (airport inspections)	-	-	-	5,500	16,500
1510 (e)	US Department of Agriculture	298,793,799	315,309,213	324,208,864	341,963,232	349,407,388
1512 (e)	US Department of Defense	2,347,401	2,556,350	3,139,604	4,780,027	3,893,101
1513 (e)	US Department of Homeland Security	-	-	-	-	1,252,634
1514 (e)	US Department of Housing and Urban Development	36,536,630	39,383,092	38,264,807	34,944,621	34,535,980
1516 (e)	US Department of Interior	15,353,170	18,635,222	20,010,553	26,236,848	27,365,634
1518 (e)	US Department of Justice	7,866,985	23,534,299	45,439,686	67,710,357	70,533,811
1520 (e)	US Department of Labor	71,641,936	73,958,806	75,173,714	80,155,791	74,373,262
1522 (e)	US Department of Education	521,034,164	567,929,279	607,650,375	655,561,523	638,057,083
1522 (c)	US Department of Education - Fund 880	6,100,044	7,008,260	6,777,654	7,753,744	7,878,432
1522 (c)	US Department of Education - Fund 881	22,923,277	21,146,522	42,401,412	54,653,829	54,336,871
1524 (e)	US Department of Transportation	785,228,408	727,496,377	832,914,720	827,044,903	894,887,794
1526 (e)	National Foundation for the Arts and Humanities	4,148,758	3,693,442	3,118,665	3,928,489	4,255,569

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2003	2004	2005	2006	2007
1528	(e)	US Veterans Administration	43,965,656	28,976,671	26,333,616	28,181,524	30,818,955
1529	(e)	US General Services Administration	-	-	6,577	7,113	-
1530	(e)	US Environmental Protection Agency	99,863,990	92,846,554	65,371,097	67,603,444	83,034,587
1532	(e)	US Department Of Energy	6,786,185	6,657,746	7,971,473	7,526,734	5,956,480
1534	(e)	Federal Emergency Management Agency	62,257,331	30,750,178	15,694,217	8,273,328	56,826,554
1536	(e)	US Department of Health and Human	4,274,976,158	4,400,831,476	4,940,907,333	4,905,437,144	4,852,243,251
1538	(e)	National and Community Services	-	8,722	3,607	1,115	-
1540	(e)	US Social Security Administration	35,035,237	35,120,494	32,955,548	32,848,371	29,882,066
1542	(e)	National Archives and Records	105,355	2,000	104,549	-	-
1544	(e)	Elections Assistance Commission	17,348,011	44,914,650	-	-	-
1546	(e)	US Department of Treasury	95,136,209	95,183,169	-	-	7,217
1549	(e)	Miscellaneous federal revenues	70,907,767	170,523,112	32,039,098	37,287,497	36,183,522
1551		County mental health programs	8,396,216	7,915,368	8,823,579	9,989,505	13,875,319
1560	(e)	Federal pass-through grants	37,229,036	32,910,930	38,100,579	47,538,058	34,258,934
1601		Time deposits interest	7,168,428	3,746,600	5,893,485	12,895,202	23,996,538
1601	(f)	Time deposits interest - Fund 688	174,813	97,299	157,407	411,767	612,653
1601	(a)	Time deposits interest - Fund 657	48,965	23,981	36,639	159,048	242,536
1601	(k)	Time deposits interest - Fund 614	76,599	41,312	71,316	186,636	292,342
1601	(l)	Time deposits interest - Fund 613	38,686	17,757	21,759	47,803	75,523
1601	(b)	Time deposits interest - Fund 905	10,321	5,937	10,028	26,020	42,128
1601	(q)	Time deposits interest - Fund 289	20,226	9,344	12,525	20,526	18,977
1601	(r)	Time deposits interest - Fund 285	38,369	19,958	34,523	92,255	136,919
1601	(d)	Time deposits interest - Fund 963	63	37	73	203	328
1601	(u)	Time deposits interest - Fund 609	64,936	39,631	64,275	146,264	173,506
1601	(c)	Time deposits interest - Fund 851	52,142	3,157	2,333	692	4
1601	(c)	Time deposits interest - Fund 880	28,579	23,770	50,877	125,596	136,386
1601	(c)	Time deposits interest - Fund 881	79,161	39,279	42,233	94,280	256,202
1603		U.S./agency securities interest	54,142,188	43,022,691	49,506,581	92,567,456	136,046,244
1603	(f)	U.S./agency securities interest - Fund 688	1,105,802	816,747	1,041,365	1,873,702	2,360,935
1603	(a)	U.S./agency securities interest - Fund 657	296,293	200,741	236,997	683,862	790,655
1603	(k)	U.S./agency securities interest - Fund 614	469,100	340,616	453,657	794,963	978,599
1603	(l)	U.S./agency securities interest - Fund 613	236,966	147,844	142,987	210,279	270,821
1603	(b)	U.S./agency securities interest - Fund 905	63,683	48,999	64,582	109,873	138,138
1603	(q)	U.S./agency securities interest - Fund 289	122,984	77,495	81,826	85,557	61,420
1603	(r)	U.S./agency securities interest - Fund 285	229,696	166,287	223,260	416,621	491,769
1603	(d)	U.S./agency securities interest - Fund 963	1,697	1,615	1,433	1,827	2,271
1603	(u)	U.S./agency securities interest - Fund 609	404,320	325,892	412,250	625,465	599,606
1603	(c)	U.S./agency securities interest - Fund 851	277,254	26,518	15,656	2,480	13
1603	(c)	U.S./agency securities interest - Fund 880	179,544	193,633	324,274	525,676	444,875
1603	(c)	U.S./agency securities interest - Fund 881	480,589	326,989	277,329	399,813	838,339
1605		Other investment interest	1,051,329	525,665	400,000	610,000	669,229
1610		Interest on loans	834,899	1,068,022	951,381	1,020,355	1,343,034
1612		Interest - Federal	-	643	13,523,913	16,232,810	11,749,631
1614		Interest on receivables	58,011	56,302	201,562	33,040	59,153
1616		Interest on settlements	122,645	47,983	94,709	57,276	65,220
1618		Other interest	1,307,512	1,071,386	29,162	58,582	53,160
1618	(c)	Other interest - Fund 880	11,202	-	-	122,516	96,985
1621		Penalties	17,737,789	17,547,145	19,400,092	14,246,673	9,424,865
1621	(q)	Penalties - Fund 289	-	-	15	-	-
1621	(c)	Penalties - Fund 881	-	-	-	-	826
1624		Settlements	858,540	1,993,625	4,736,944	7,970,583	2,301,820
1626		Court awards	1,346,078	2,039,930	1,681,369	1,732,607	1,704,591
1628		Insufficient funds charges	5,168	10,609	7,703	7,186	4,936
1628	(a)	Insufficient funds charges - Fund 657	20	-	-	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1634	Estates	329,323	1,028	449	66	153
1636	Unclaimed properties	38,583,756	76,804,125	53,672,476	92,367,911	91,118,828
1700	(i) Salary refunds - federal	607,207	464,856	695,196	614,734	758,548
1701	(i) Salary refunds - state	48,677	79,988	40,575	48,639	35,771
1702	(i) Salary refunds - local/other	28,205	23,047	28,205	17,929	20,238
1703	(i) General relief pension refunds	4,021,572	2,830,777	1,186,474	121,698	70,586
1704	(i) Blind pension refunds	11,659	73,105	2,788	5,886	11,895
1706	(i) Dependent children pension refunds	426,750	376,190	367,373	356,838	356,687
1715	(i) Day care refunds	119,927	61,322	72,401	58,904	183,536
1717	(i) Medicare - Medicaid refunds	212,955,744	250,677,523	331,852,999	413,909,726	226,517,358
1719	(i) Cost in criminal cases refunds	270,948	342,290	447,889	565,968	693,320
1721	(i) Vendor refunds - federal	1,473,246	1,043,953	1,313,190	1,008,453	1,213,162
1722	(i) Vendor refunds - state	1,288,711	1,003,623	747,697	603,961	517,589
1722	(a) Vendor refunds - state - Fund 657	1,870	6,130	6,045	24,422	3,189
1722	(c) Vendor refunds - state - Fund 880	-	-	1,857	753	2,672
1722	(c) Vendor refunds - state - Fund 881	-	-	100	9,000	-
1723	(i) Vendor refunds - local/other	235,601	387,345	290,456	294,599	276,869
1723	(c) Vendor refunds - local/other - Fund 880	-	-	1,151	-	-
1724	(i) Political subdivision refunds	-	359,837	9,919	18,180	20,255
1725	(i) Excess court payment refunds	1,717,352	1,573,649	1,499,024	795,229	1,900,561
1727	(i) School refunds	5,587,349	6,048,847	5,689,555	5,314,240	4,691,784
1728	(i) Scholarship refunds	143,902	252,530	314,355	349,559	355,827
1728	(c) Scholarship refunds - Fund 881	-	216	-	-	-
1729	(i) Audit findings - federal	223,038	144,227	194,239	120,584	35,091
1730	(i) Audit findings - state	56,428	198,436	50,321	-	-
1731	(i) Audit findings - local/other	6,093	21,462	38,282	52,665	175,203
1732	(i) Utility refunds	7,166	12,383	9,131	13,651	18,141
1733	(i) Fuel tax refunds	251,078	325,004	300,863	227,324	150,385
1733	(a) Fuel tax refunds - Fund 657	-	-	-	277	-
1733	(c) Fuel tax refunds - Fund 880	-	-	3	24	-
1737	(i) Other refunds	2,987,825	4,013,975	2,585,121	3,630,689	4,433,171
1737	(a) Other refunds - Fund 657	-	-	-	-	47,344
1737	(c) Other refunds - Fund 880	5,321	322	-	-	25,211
1737	(c) Other refunds - Fund 881	8,761,805	8,675	-	25,710	29
1806	(w) Recovery costs	181,232,299	163,653,275	158,226,200	147,510,945	156,840,026
1806	(a) Recovery costs - Fund 657	5,504	667	-	-	-
1806	(bb) Intergovernmental transfer program	144,251,000	30,326,961	26,875,705	-	-
1808	Deposit of surplus property funds	588,116	910,773	2,040	20,640	-
1808	(a) Deposit of surplus property - Fund 657	51,091	20,467	-	-	-
1808	(c) Deposit of surplus property - Fund 626	95	-	-	-	-
1808	(c) Deposit of surplus property - Fund 880	-	397	-	-	-
1808	(c) Deposit of surplus property - Fund 881	-	4,350	-	-	-
1811	(z) Local match	925,923	2,147,704	3,942,050	4,235,868	3,010,486
1812	(x) Cost reimbursements - federal	1,258,193	281,369	481,878	854,596	859,539
1812	(c) Cost reimbursements - Fund 880	-	-	2,146	-	-
1813	(x) Cost reimbursements - state	35,642,920	24,503,507	20,069,835	17,379,683	32,758,124
1813	Cost reimbursements - state (included)	6,638,598	7,038,004	8,011,183	9,299,758	10,036,608
1813	(c) Cost reimbursements - Fund 880	-	-	213	247	-
1814	(x) Cost reimbursements - local/other	122,389,750	131,365,650	114,342,412	127,523,055	128,148,184
1814	(c) Cost reimbursements - local/other - Fund 880	991	-	-	6	-
1816	Bond account	5,740,905	6,676,769	7,278,870	6,375,510	6,305,705
1818	(v) Employee expense reimbursement - federal	100	112	1,756	-	405
1819	(v) Employee expense reimbursement - state	2,380	2,816	1,447	615	26,116

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
1820	(v) Employee expense reimbursement - local/other	4	-	969	771	583
1821	(v) Employee personal expense reimbursement	17,634	20,740	33,588	37,578	35,838
1821	(c) Employee personal expense reimbursement - Fund 880	34	-	137	88	10
1822	(n) Outlawed checks	5,369,639	9,391,724	7,329,715	6,015,970	7,228,137
1822	(b) Outlawed checks - Fund 905	3,598	17,439	2,620	3,850	6,102
1822	(c) Outlawed checks - Fund 881	-	3,184	-	-	-
1824	(y) Canceled checks	5,509,977	4,151,727	5,801,505	4,218,841	4,042,092
1824	(a) Canceled checks - Fund 657	-	38	19,368	32,995	-
1824	(b) Canceled checks - Fund 905	1,030	173	2,880	-	4
1824	(c) Canceled checks - Fund 880	-	-	-	-	109
1826	(m) Redeposit of investments principal	751,921	1,850,020	1,267,000	2,820,075	1,167,300
1826	(d) Redeposit of investments principal - Fund 963	-	-	5,000	-	-
1828	(o) Redeposit of loan principal	29,525,552	96,777,971	48,774,710	32,786,258	40,736,073
1830	Telephone commissions	1,939,388	2,951,377	2,220,545	2,191,590	1,004,266
1832	Commission on sales	51,746	36,385	42,918	33,051	25,670
1834	Rebates	1,593,777	3,248,923	3,186,878	2,657,841	346,877
1834	(a) Rebates - Fund 657	16	46	169	381	563
1834	(c) Rebates - Fund 880	-	-	3	26	2,224
1834	(cc) Rebates - WIC	28,832,678	32,459,831	33,432,384	36,203,754	38,046,323
1836	Housing and maintenance receipts	40,315	44,144	61,888	61,026	70,788
1838	Loan defaults	267,384	222,620	374,067	280,132	638,617
1840	(t) Loan proceeds	24,244,308	10,268,507	8,688,830	1,787,376	7,861,815
1842	(o) Loan repayment	82,059	83,583	92,404	94,639	103,409
1842	(c) Loan repayment - Fund 880	-	801	-	-	-
1842	(c) Loan repayment - Fund 881	22,586,729	29,430,674	22,088,262	28,090,069	49,202,530
1843	(o) Loans receivable contra account	6,589,491	5,367,701	18,300,256	12,156,376	3,227,912
1844	Insurance proceeds	42,945	3,148	5,295	7,089	2,448
1846	Capital credits/dividends	59,896	44,721	55,706	47,137	53,045
1848	Recycling receipts	43,785	76,608	130,338	135,281	181,661
1850	Forfeitures	2,201,018	2,437,245	2,071,385	1,989,974	1,960,425
1852	Overpayments	6,287,933	4,345,745	1,771,438	2,337,400	6,004,394
1852	(c) Overpayments - Fund 880	3,889	-	-	-	-
1856	(e) Other miscellaneous receipts - federal	4,093,602	2,774,771	6,886,042	5,063,853	4,861,403
1858	Other miscellaneous receipts - state	2,764,572	12,010,358	1,991,881	2,922,024	4,141,635
1858	(a) Other miscellaneous receipts - state - Fund 657	3,280	7,403	4,461	8,565	6,496
1858	(b) Other miscellaneous receipts - state - Fund 905	11,188,245	10,964,014	10,260,864	10,698,732	11,005,829
1860	Other miscellaneous receipts - local/other	1,271,171	1,749,384	1,793,312	2,030,010	635,352
1860	(a) Other miscellaneous receipts - local/other - Fund 657	2,837,258	-	74,350	55	1,024,385
1860	(c) Other miscellaneous receipts - local/other - Fund 880	-	30	-	-	-
1862	Fees for copying public records	181,177	515,415	496,751	416,138	394,686
1862	(a) Fees for copying public records - Fund 657	257	173	473	85	124
1866	Federal share of grantee sales	238,952	232,667	100,649	326,931	371,362
1868	Receivable overpayment - federal	31	130	356	-	-
1870	Receivable overpayment - state	42,606	3,159	6,506	673	4,384
1872	Receivable overpayment - local	33	127	169	-	27

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
6001	(j) Supply sales	-	-	18	24,426	231
6002	(j) Open records fees	6,492	9,389	9,221	17,818	8,983
6003	(j) Fleet services operations/maintenance	933,189	998,046	991,562	1,115,253	1,417,108
6005	(j) Fleet services replacement	541,945	2,171,486	699,191	942,733	1,795,574
6006	(j) Criminal records check fees	-	1,035,216	2,081,767	1,955,861	416,590
6007	(j) Mail/freight services	600,956	567,986	613,666	479,607	1,103,960
6009	(j) Telephone billing	33,408,199	32,136,693	30,453,762	28,357,604	27,984,063
6011	(j) Printing service	5,829,079	5,954,992	5,994,738	5,818,290	6,772,408
6013	(j) Reimbursement/recovery cost	13,965,380	22,719,299	23,900,839	27,763,425	46,816,635
6013	(c) Reimbursement/recovery cost - Fund 881	-	-	-	87,391	-
6015	(j) Leased facility	3,563,491	3,453,059	3,681,193	3,581,126	24,524,831
6017	(j) Sale of material, supplies, and services	1,024,985	1,136,437	991,081	960,872	1,562,826
6019	(j) Training	957,246	1,129,212	1,104,409	1,101,498	929,024
6021	(j) Computer services	26,125,428	23,342,866	24,494,010	23,672,220	21,535,182
6023	(j) Administration services	1,311,389	1,069,786	1,414,446	1,208,365	703,313
6025	(j) Flight operations services	373,308	463,883	397,374	303,007	246,618
6027	(j) Sale of manufactured products	25,388,280	22,003,644	21,069,582	20,575,593	20,523,336
6029	(j) Interagency receipts	20,853,813	17,651,535	19,048,175	20,626,666	20,866,582
6029	(c) Interagency receipts - Fund 851	-	457	-	-	-
6029	(c) Interagency receipts - Fund 880	950,619	1,096,663	1,058,766	-	-
6029	(c) Interagency receipts - Fund 881	258,321	105,950	531,142	329,256	390,026
6030	(j) Sampling &/or Analysis	-	24,130	34,774	21,999	60,421
6031	(s) Redeposit of state funds	49,253	3,241	31,440	30,969	81,964
6032	(j) Deposit of unclaimed property	3,722	312	-	250	99
6033	(j) Permits	72,596	52,670	58,025	50,518	50,279
6034	(j) Registration fees	24,885	23,784	36,100	59,786	95,400
6035	(j) Taxes	173,958	2,283,087	1,541,530	1,360,109	939,124
6036	(j) Transcript fees	-	3,937	6,848	5,205	4,807
	Total revenues	18,347,052,703	18,893,988,141	19,500,869,283	20,919,973,902	21,928,919,952
Fund Exclusions:						
(a)	Lottery Enterprise - Fund 657	314,375,910	366,665,541	346,342,752	417,948,583	408,344,975
(b)	Alternative Care Trust Fund - Fund 905	11,266,877	11,036,562	10,340,974	10,838,475	11,192,201
(c)	Student Loan Funds 626, 851, 880, and 881	62,706,745	59,419,847	73,575,547	92,223,091	119,149,513
(d)	Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	1,760	1,652	6,507	2,030	2,599
Revenue Source Exclusions:						
(e)	Federal funds	6,669,855,197	6,867,222,534	7,289,320,981	7,412,473,472	7,458,588,194
(f)	Proposition C sales and use tax/interest	704,112,027	732,649,103	757,578,980	781,199,192	818,391,501
(g)	Proposition A gas tax and license fee increases	173,084,326	178,223,865	182,053,225	175,587,964	175,375,774
(h)	Bond sales	398,337,310	262,829,539	3	370,196,052	829,993,881
(i)	Refunds	232,468,478	270,314,372	347,736,051	428,129,456	242,435,981
(j)	Interagency sales and receipts	135,158,341	138,231,448	138,622,309	140,002,232	178,357,392
(k)	Soil and water sales and use tax/interest	36,493,236	37,776,751	39,133,900	40,614,148	42,605,079
(l)	Parks sales and use tax/interest	36,215,514	37,557,571	38,773,670	39,886,973	41,680,478
(m)	Redeposit of investment principal	751,921	1,850,020	1,267,000	2,820,075	1,167,300
(n)	Outlawed checks	5,369,639	9,391,724	7,329,715	6,015,970	7,228,137
(o)	Redeposit of loan principal	36,197,102	102,229,254	67,167,370	45,037,273	44,067,394
(p)	Amendment 8 motor fuel tax to local governments	149,130,374	153,771,103	157,079,820	-	-

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2003	2004	2005	2006	2007
(q)	Bingo	3,352,994	2,996,554	2,798,154	2,578,717	2,362,408
(r)	Riverboat gambling	285,567,097	304,335,470	324,937,164	342,122,934	337,924,453
(s)	Redeposit of state funds	49,253	3,241	31,440	30,969	81,964
(t)	Loan proceeds	24,244,308	10,268,507	8,688,830	1,787,376	7,861,815
(u)	Conservation sales and use tax/interest	90,324,585	93,853,662	97,001,184	99,840,948	104,105,688
(v)	State employee expense account reimbursement	20,118	23,669	37,760	38,964	62,942
(w)	Recovery costs	181,232,299	163,653,275	158,226,200	147,510,945	156,840,026
(x)	Cost reimbursements	159,290,863	156,150,526	134,894,125	145,757,334	161,765,847
(y)	Canceled checks	5,509,977	4,151,727	5,801,505	4,218,841	4,042,092
(z)	Local match	925,923	2,147,704	3,942,050	4,235,868	3,010,486
(aa)	Proceeds of surplus property sales (Fund 710)	787,350	1,088,245	1,374,300	746,426	1,038,204
(bb)	Intergovernmental transfer program	144,251,000	30,326,961	26,875,705	-	-
(cc)	Department of Health WIC Rebates	28,832,678	32,459,831	33,432,384	36,203,754	38,046,323
(dd)	Constitutional amendment No.3	-	-	-	385,172,035	443,708,243
	CMIA Interest payment to the federal government	881,304	726,910	420,661	1,223,951	2,330,281
	Agency remitted sales tax	448,461	456,704	416,977	425,485	435,720
	Abandoned funds claim payments	13,011,897	18,739,655	19,432,004	19,462,594	21,635,424
	Federal Interest	-	643	13,523,913	16,232,810	11,749,631
	Coding Errors	-	97	-	-	1,399
	Total exclusions	9,904,254,864	10,050,554,267	10,288,163,160	11,170,564,938	11,675,583,344
	Total revenues after exclusions	8,442,797,839	8,843,433,874	9,212,706,123	9,749,408,963	10,253,336,607
	Less expenditure refunds (Exhibit C)	(1,252,342,575)	(1,126,226,599)	(1,127,328,402)	(1,185,513,592)	(1,272,907,957)
	Add refundable tax credits:					
	Pharmaceutical	3,764,259	524,527	142,373	1,672	-
	Business facility	2,881,728	23,992	-	6,026,392	19,478
	Enterprise zone	204,766	123,464	347,009	14,969,750	52,168
	BUILD	1,222,799	2,336,876	4,301,069	10,204,348	5,011,569
	Strategic initiative investment income	2,000,000	1,065,718	-	-	-
	Higher Education Scholarship Fund	4,532	-	-	-	-
	Total State Revenue	\$ 7,200,533,348	7,721,281,852	8,090,168,172	8,595,097,533	8,985,511,865

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30,				
		2003	2004	2005	2006	2007
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 2,134,818	2,290,607	3,214,409	3,174,790	3,607,162
3206	Deposit and escrow refunds	30,245	127,838	98,848	82,239	100,990
3212	Federal Share Grantee Salary refunds	-	-	836	-	-
3213	Tax credit debt offset	-	-	-	192,267	658,452
3215	Debt offset refunds	9,013,469	6,582,994	6,269,213	7,196,032	9,154,126
3218	Motor vehicle license fee refunds	822,388	1,137,842	1,401,820	1,528,907	1,551,837
3221	Driver's license fee refunds	81,611	77,982	78,359	76,197	89,678
3227	License and permit fee refunds	133,055	84,732	160,866	187,184	144,244
3230	Registration fee refunds	32,881	7,622	16,984	13,786	21,762
3233	Regulatory fee refunds	58,540	45,944	237,543	16,421	13,154
3236	Inspection fee refunds	41,255	40,532	40,125	46,058	41,017
3239	Miscellaneous fee refunds	227,735	294,700	594,262	386,883	401,386
3242	Sales refunds	23,452	27,829	9,887	36,158	11,076
3245	Lease and rentals refunds	831	1,858	2,847	5,226	5,490
3248	Medical services refunds	1,754,840	1,876,972	2,571,969	2,855,085	4,982,151
3251	Contributions refunds	-	-	104,883	50	-
3254	Federal refunds	108,307	529,557	1,101,919	1,600,014	112,019
3257	Penalty and court award refunds	11,281	38,456	168,547	26,054	15,971
3260	Interagency billing refunds	-	150	-	-	3,294
3261	Receivable overpayment refunds	23,058	141,205	10,962	46,188	31,237
3266	Missouri consolidated check off refunds	134,732	124,184	165,968	200,356	(48)
3267	Deferred revenue refunds	3,191,677	1,753,349	1,092,357	3,463,708	1,468,220
3269	Other refunds	43,296,930	1,778,662	1,708,679	903,385	5,658,768
3272	Sales and use tax protested refunds	114,220	391,490	37,141	156,832	5,255,333
3281	County foreign insurance tax refunds	38,961,200	24,125,058	15,863,307	14,468,499	21,577,679
3287	Worker's compensation insurance tax refunds	339,757	1,685,755	392,963	150,375	78,341
3290	Worker's compensation second injury insurance tax refunds	505,253	9,944	9,732	-	-
3293	Cigarette tax refunds	39,043	141,494	83,251	44,675	31,563
3296	Tobacco products tax refunds	1,031	9,302	100	3,819	631
3299	Aviation fuel tax refunds	57,536	52,827	68,327	25,172	25,589
3305	Special fuel (non-gas) tax refunds	24,444,448	25,536,357	30,388,502	29,996,843	32,290,045
3308	Fuel tax refunds	9,620,045	9,611,080	9,765,264	9,522,282	8,885,478
3311	Sales Tax refunds	164	5	44	48	1
3314	Food tax exemption refund	-	85,626	-	-	-
3317	General sales and use tax refunds	61,234,948	59,927,094	44,966,016	31,494,255	88,368,480
3326	Motor vehicle sales tax refunds	4,519,185	4,721,452	4,291,710	4,179,140	3,981,005
3329	Motor vehicle use tax refunds	868,913	961,458	1,002,748	983,801	1,164,938
3335	Boat tax refunds	5,436	6,645	7,257	6,720	9,587
3338	Individual tax refunds	771,972,675	763,201,964	752,279,117	773,108,237	808,846,331
3341	Senior citizens tax refunds	97,180,379	95,237,087	99,101,427	96,090,703	93,118,292
3342	Pharmaceutical tax refunds	3,737,102	524,527	496,516	1,672	-
3344	Corporation tax refunds	171,098,592	116,499,019	144,879,893	195,549,284	172,190,828
3347	Franchise tax refunds	3,467,003	460,301	691,213	6,435,586	1,188,431
3350	Inheritance tax refunds	3,054,540	5,458,449	2,816,253	930,022	7,429,565
3356	Other tax refunds	-	616,650	1,136,338	328,639	393,855
	Total SAM II Expenditure Refunds	\$ 1,252,342,575	1,126,226,599	1,127,328,402	1,185,513,592	1,272,907,957

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	$= \frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personalincome (MPI)}} \times$	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.
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The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows (dollar amounts are in billions):

$$\frac{\$2,232.204096}{\$ 39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In past years, the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. However, the Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

C. State Guaranty Student Loan Funds

Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.

D. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

E. Federal Funds

Article X, Section 17 of the constitution specifically excludes federal funds.

F. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16 of the constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

G. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item **DD** below.

H. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

I. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

J. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

**K. Soil and Water Sales and Use Tax\Interest
and**

L. Parks Sales and Use Tax\Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) of the constitution states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

M. Redeposit of Investment Principal

The redeposit of investment principal is excluded.

N. Outlawed Checks

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

O. Redeposit of Loan Principal

Redeposits of loan principal are excluded.

P. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) of the constitution which revised the apportionment of the motor fuel tax. In addition, the

amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded. Also see item **DD** below.

Q. Bingo

The August 1992 amendment to Article III, Section 39(d) of the constitution related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

R. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) of the constitution and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee payable to the state is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining one dollar portion of the two dollar admission fee is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eighth of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

W. Recovery Costs

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Regarding items W. and X., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.

Y. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

Z. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

AA. Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

BB. Intergovernmental Transfer Program

Starting in fiscal year 2001, the state participated in the Medicaid intergovernmental transfer (IGT) program. Under the IGT program the state was able to receive additional federal Medicaid matching funds based on enhanced payments to some government operated health care providers. The state made the enhanced payments to the providers and, after the state claimed the federal matching funds, the providers returned the enhanced payments to the state. Because these funds were simply returned to the state, similar to a refund, they are excluded from TSR.

CC. WIC Rebates

The Department of Health and Senior Services (DHSS) issues food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to program participants who use them to obtain formula at participating grocery stores and pharmacies. The participating grocery stores and pharmacies then redeem the food instruments. The food instruments are processed through the Federal Reserve System and the WIC program is charged for the food instruments presented. The DHSS records the redeemed food instruments and sends a monthly invoice to Mead Johnson who then rebates the federal monies to the state.

DD. Amendment 3 Revenue Derived From Highway Users

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d) of the constitution, effective July 1, 2005.

Section 30(a) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, "...The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues"...".

Motor vehicle fuel tax monies distributed to local governments excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **P** above)

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section

further provides that, “...The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of “total state revenues”...”.

As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver’s licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item **G** above)

Sections 29, 30(c), and 30(d) have no apparent Hancock implications.

Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Abandoned Funds Claim Payments

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Expenditure Refunds

According to Article X, Section 17(1) of the constitution, total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

Tobacco Master Settlement Agreement Proceeds

The OA-BP has excluded \$139,292,616 received from tobacco companies during fiscal year 2007. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2006 were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
2006	133,078,222

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, "*all monies received from others for costs incurred or to be incurred by the state.*" The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. In our audit for 2001, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received.

Compliance with Article X, Section 18(e)

Article X, Section 18(e) of the constitution imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. For fiscal year 2007, the OA-BP calculated these limits at \$84.3 million for the Missouri Personal Income amount and \$80.9 million for the one percent of total state revenues amount.

For fiscal year 2007, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$163.4 million. As a result, it appears the state complied with Article X, Section 18(e).

APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.

(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual

returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e). Voter approval required for taxes or fees, when, exceptions--compliance procedure.

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the

taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).



Susan Montee, CPA
Missouri State Auditor

City of St. Peters



January 2008
Report No. 2008-05

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

January 2008

The following findings were included in our audit report on the City of St. Peters, Missouri.

The city of St. Peters is involved in a redevelopment project located in the Highway 370 corridor, called the Lakeside 370 project. The city estimates that the revenues from the sale of this land will exceed costs of obtaining and improving the land by \$9.8 million. Our review of this project noted some concerns including: appraisals were not obtained for some land purchases, one bond series was not issued on a competitive basis, and the city did not formally request proposals for the redevelopment project. This project is ongoing and the city should continue to monitor its progress to ensure its successful completion.

The severance pay clauses in the city administrator and chief of police employment contracts are large. As of the end of October 2007, the city had a possible liability if the city administrator was terminated of approximately \$801,000, and a possible liability if the chief of police was terminated of approximately \$107,000.

The \$900 monthly car allowance paid to the city administrator does not appear to be reasonable. Our analysis of the cost to the city of providing a city car indicated the monthly cost would be only \$640. If the city elected to reimburse the city administrator at the city's current mileage reimbursement rate of 48.5 cents per mile, the monthly cost for 1,000 miles would be only \$485.

The current city policy allows the city to solicit bids and enter into agreements that provide for the option to renew for various terms ranging from one to four years. However, the bids do not detail the specific prices or a maximum percent increase in the price for the option years. By not requiring bids with specific prices or percent increases in the option years, the city is unable to ensure they are receiving the lowest total bid price over the course of the entire contract period.

The city has not obtained proposals for general counsel legal services. The city paid an outside law firm approximately \$278,000 during the year ending September 30, 2006, of which approximately \$165,000 was for general counsel legal services.

Some receipts for local meals purchased by the current and former Mayor were not detailed enough for an adequate review. Receipts did not include any supporting documentation detailing the meeting and why it was necessary to provide a meal.

(over)

YELLOW SHEET

The city has not recently conducted a physical inventory of its capital assets and usage logs are not maintained for city vehicles. The Police Department is not making transmittals on a timely basis and the city is not formally documenting a review comparing water bills to the amount of water pumped and purchased.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF ST. PETERS
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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of St. Peters, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Peters. The city engaged Rubin Brown LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended September 30, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended September 30, 2006. The objectives of this audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of

noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Peters.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Alicia Hall

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. PETERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Lakeside 370 Project
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The city did not obtain appraisals for some land acquisitions, did not go through a competitive bid process for a bond issue, and did not formally request proposals on a redevelopment project. The city may incur future costs on this project if the Letter of Map Revision (LOMR), which declares this area to be a 500 year flood plain, is not approved by the Federal Emergency Management Agency (FEMA).

The city is involved in a redevelopment project located in the Highway 370 corridor. This area of the city was mostly farmland located in a 100 year flood zone. The city's plan was to purchase the land, build a 500 year levee for the area, and then sell the land to a developer for a redevelopment project. In addition, the construction of the levee required significant amounts of dirt which the city planned to obtain from the redevelopment area and then turn this area into a lake with a surrounding city park.

In 1999, the city approved a Tax Increment Financing (TIF) district for this project of approximately 1,640 acres which included the levee. In April 2000, city voters approved obtaining general obligation bonds up to \$35 million for land acquisition, engineering, and levee construction related to the project. The bonds were split into three issuances, \$10 million approved by the Board of Aldermen in July 2000 for the land acquisition (which was refinanced in January 2004), \$2.5 million in February 2002 for engineering services, and \$22.5 million in September 2005 for the levee construction.

The city currently estimates that revenues will exceed costs by approximately \$9.8 million. The following table shows the actual/estimated revenues and expenditures of the Lakeside 370 project:

Revenues

Sale of Land at Closing	\$24,600,000
Sale of Land after LOMR Approval(pending)	25,000,000
Interest	1,296,359
Miscellaneous	<u>129,510</u>
Total Revenues	<u>51,025,869</u>

Expenditures

Levee Construction	\$21,554,908
Land Acquisition	9,119,828
Interest on Bonds	3,844,097
Professional Services	2,814,368

Legal Expenses	948,329
Utility Relocation	868,702
Bond Issuance Costs	330,409
Miscellaneous	129,656
Estimate of items to be completed as of July 31, 2007	<u>1,581,896</u>
Total Expenditures	<u>41,192,193</u>
Revenues over Expenditures	<u>\$ 9,833,676</u>

The following concerns were noted regarding this project:

- A. Appraisals were not obtained for some land purchases and one land purchase involved a related party. The city spent \$9.1 million acquiring 1,552 acres of land from eleven land owners (\$5,900 per acre) from June 2000 through March 2005. The city obtained appraisals on seven of the eleven land purchases. The following land purchases did not have appraisals.

	Amount Paid	Acres	Average per Acre	Purchase Date
#1	\$ 5,137,139	1,182.9	\$ 4,343	August 2000
#2	99,435	13.6	7,311	March 2005
#3	90,709	8.1	11,199	June 2000

The \$5.1 million land purchase was the second of the eleven land purchases made by the city. In addition, one land purchase for \$1.5 million and 98 acres in January of 2002 involved a related party to the mayor in office at that time. An appraisal was obtained of the property by the land owner showing the price paid materially agreed to the appraisal. The average price per acre of this property was \$15,000.

Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid, and that discussions and reasons supporting the eventual purchase price are documented.

- B. Although the first two bond issuances and the refinancing bonds were issued on a competitive basis, the final bonds for \$22.5 million were not. The city initially entered into a competitively bid contract to issue long term twenty year bonds; however, the city was threatened with litigation and stopped the process. City officials indicated they requested an opinion on whether the bond issue was valid and the court ruled the city should not issue these bonds until the levee permit was acquired from the Corps of Engineers. The city decided to not issue these specific bonds and instead entered into a no bid contract to issue short term three year bonds with a local bank. The plaintiff did not file another lawsuit before they were issued. Due in part to issuing shorter term bonds and dealing directly with the bond purchaser, the city obtained an interest rate which was 0.41 percent

lower than the original bid contract and incurred \$14,571 lower issuance costs. The city was able to retire this bond issue with the \$24.6 million obtained at closing from the sale of the redevelopment project land.

Although the city was able to obtain less expensive short term financing, it is unknown what the financing costs would have been if they had extended this to 20 years. In most situations a formal bidding procedure will help ensure the city receives fair value by contracting with the lowest and best bidders. In addition, soliciting proposals and entering into a truly competitive bidding process provides the city a means to select the contractor best suited to provide the service required. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business.

- C. The city did not formally request proposals for the redevelopment project. The city believed they were under pressure from the public and wanted to start the project as soon as possible. By accepting a developer and selling the land, they were guaranteeing money immediately and reducing the risk of having future problems through litigation and permit approvals. The city indicated they informally negotiated with several interested developers; however, they could provide no documentation of the discussions. The city further indicated these developers planned to pay for the land as it was developed, rather than the city receiving all monies up front, therefore, no formal offers were extended. In addition, the city indicated two formal offers received from another individual were significantly lower than the accepted developer's offer. An appraisal was obtained in June 2005 and valued the combined land as agricultural bottomland without the levee, at \$15.5 million. In June 2005, the city entered into a joint redevelopment agreement with the development company. In May 2006, after going through several negotiations and amendments to the original agreement, the city entered into a final agreement with the developer which allowed the company to assign rights to the agreement to a different developer. The final sale price was \$49.6 million. The city was paid \$24.6 million at the closing and given a letter of credit for the remaining \$25 million. The second payment of \$25 million is to be paid when the city receives its LOMR from FEMA. As of October 18, 2007, the city has not received its LOMR.

To ensure the best possible price is obtained for property sold and to ensure all interested parties are given equal opportunities to participate, the city should seek formal requests for proposals for development projects.

- D. As mentioned above, the LOMR has not been approved and the project is at risk. If the LOMR is not approved, the city will not receive the additional payment of \$25 million and the city will have a loss on the project of over \$15 million. The city has two outstanding general obligation bond issues relating to the project totaling \$12.5 million. To pay the principal and interest on these bonds to date, the city has been using the small amount of TIF money generated from the project along with monies from the city's debt service fund. The city has projected

enough of the redevelopment project will be complete by 2008 to generate sufficient TIF revenue to make the bond payments. However, if the project does not go through, the city will be responsible for paying these debt obligations from the debt service fund.

If the project proceeds, as a part of the redevelopment agreement the developer has agreed to build various infrastructure items in the area which will be reimbursed by the city up to a maximum of \$19 million. The city will reimburse the developer \$1 million per year for five years out of transportation money and then use 50 percent of the increase in property tax revenues and 50 percent of the sales tax revenue from the redevelopment area to pay the remaining costs. If the project does not generate enough revenue to retire the note, it will terminate with no penalty to the city 20 years after issuance. In addition, the agreement states that none of the TIF money will be pledged to the developer to help pay for various parts of the redevelopers project.

WE RECOMMEND the Board of Alderman:

- A. Ensure independent appraisals are obtained for all future real estate purchases.
- B. Ensure formal bids are obtained on all bond issues.
- C. Obtain requests for proposals on development projects.
- D. Continue to monitor the approval process to ensure the successful completion of the project.

AUDITEE'S RESPONSE

The findings in this area reflect no violations of State, Federal, or Municipal laws and regulations. These findings constitute no more than the opinion of the State Auditor's Office.

The City's practice and policy is to appraise land prior to purchase, and to receive competitive proposals on the sale of assets. In addition, the City's policy and practice is to sell its bonds on a competitive proposal basis. We will continue with these policies, but reserve the right to make exceptions when conditions dictate a modified approach. All actions taken with the 370 Project were in compliance with all State and Municipal law. The financial benefits of the 370 Project are actually documented within this report. The City purchased approximately 1,550 acres of land for an average price of \$5,878 and a total cost of \$9.1 Million. The individual parcels in this area appraised from a low of \$3,200 to a high of \$17,000 per acre depending on the location within the development area. In June 2005 the City had the entire area appraised at a value of \$15,500,000 or \$9,928 per acre. This was done prior to the execution of the sale agreement for approximately 1,250 acres to Kaplan for \$49.6 Million or approximately \$40,000 per acre. Based on these facts, the City actually purchased the land in the 370-development area for less than 60 percent of its appraised value, and then sold this land for four times its appraised value. The City's foresight in acquiring this land prior to making it more valuable resulted in a profit to our taxpayers of approximately \$42.2 Million. All of this is on top of the estimated thousands of

jobs to be created by this project and the estimated \$200 Million in future increased tax revenue to the various taxing districts in St. Charles County.

This audit report expressed a concern regarding getting appraisals for all land purchases. The first two parcels were acquired without a specific appraisal. These landowners held a large percentage of land in the redevelopment area. The challenge was to get these properties purchased at pre-development values. The City had purchased other land in this general area for its water and sewer operations, and for the old town levee project. As such, we were well aware of the value of this land as flood plain farmland; however, the sellers valued this land as future development property along a major highway corridor. The above financial analysis reflects the City's success in securing this land at a very low price. The other two parcels were among some of the last parcels purchased. The seven appraisals on properties in the development area provided all the data needed to determine a reasonable price to pay for this land. In both these instances the City was faced with either accepting a final offer from the landowners or condemning these properties. The price paid fell within the range of appraisals the City had obtained in the area.

This report recommends the competitive sale of bonds. The City has consistently sold its bonds competitively and will continue to do so in the future. This report documents the reasons that the competitive sale of the \$22.5 Million in GO bonds was rendered impossible because of court action filed against the City from a special interest group trying to halt the project. The negotiated sale of these bonds that was approved by the State Auditor's Office allowed the City to proceed with a project approved by more than 67 percent of the voters without any additional costs to the taxpayers and at lower interest rates on the bonds.

This report recommends that the City should have sold the 370 properties through a formal competitive proposal process. As noted in the report, the City on a number of occasions advertised its willingness to entertain offers from developers willing to invest significant money up front in the project and assume the risks associated with final approval and construction of the levee. The City had serious confidential negotiations with several developers prior to reaching a sale agreement with the Kaplan group. The city had the land appraised prior to the sale and in fact sold the land at four times its appraised value. In addition, the City received public offers of \$5 Million and \$12 Million from the Great Rivers Habitat Alliance. Both of these offers were significantly less than the ultimate sales price. The sale to the Kaplan group resulted in a guaranteed return on investment to our residents, and locked in a committed developer for the project.

Finally, the Auditor has noted the importance of continuing our efforts to secure a LOMR for the project area. We believe our efforts to date reflect our commitment to this project. The City will work with FEMA to comply with all that is necessary to complete this final step.

AUDITOR COMMENT

The estimated revenues from this project will exceed costs by approximately \$9.8 million. The city's response indicates a profit of \$42.2 million. This is the revenues of \$49.6 million less only the cost of the land sold of \$7.4 million.

2.**Expenditures**

The City Administrator and Chief of Police have large severance packages and the City Administrator receives a \$900 a month car allowance. In addition, the city did not solicit bids or perform other price comparison procedures for some major purchases. The city has not properly documented the purpose of meetings for which local meals were purchased and has purchased food and catered meals for board meetings.

A. The city entered into employment contracts with the city administrator and chief of police. The following concerns were noted:

1. The severance pay clauses in the city administrator and chief of police employment contracts are large. In June 2007, the city entered into new employment contracts with the city administrator and the chief of police, effective June 14, 2007 through May 31, 2012. The new contract for the city administrator provides that if he is terminated by the city before expiration of the term of the contract, the city is to pay a lump sum cash payment equal to the remaining term of the contract and payment of six months of health and dental insurance premiums. In addition, upon expiration or termination of the contract, the city administrator shall also receive a lump sum cash payment equal to twelve months' salary. As of the end of October 2007, the city had a possible liability if the city administrator was terminated of approximately \$801,000. If the chief of police's contract was terminated by the city before expiration of the term of employment, the city would have to pay a lump sum cash payment equal to twelve months salary. The city had a possible liability if the chief of police was terminated of approximately \$107,000.

The city should ensure the employment contract for its city administrator and chief of police is in the best interest of the city, and limit the city's potential liability for termination pay.

2. The \$900 monthly car allowance paid to the city administrator does not appear to be reasonable. The employment contract for the city administrator allows for the city to either provide a full-size American made sedan not more than three years old or pay a \$900 monthly car allowance. From April 2005 through October 2007, the city has been paying the monthly allowance. To justify this amount, city personnel prepared an analysis estimating the monthly costs of owning and maintaining a vehicle to be \$1,198 which they reduced to the \$900 amount. Our analysis of the cost to the city of providing a city car indicated the monthly cost would be only \$640.

The city based their analysis on a vehicle cost of \$28,500. This was determined by the average price of a 2006 Ford Crown Victoria according

to a pricing chart from Ford's website. The American Automobile Association (AAA) gives an average cost of a full size sedan at \$24,620. The city calculated that a monthly auto payment would be \$828 including interest and principal payments over a three-year financing agreement. However, if the city purchased the vehicle, there would be no financing costs. We instead included depreciation of \$392 per month with a remaining value after three years of \$10,495 based on the Kelly Blue Book. The city also included in their analysis sales tax, property tax, and interest costs of \$116 per month which would not be applicable if the city purchased a vehicle. The cost of insurance and gas and maintenance in both analyses were approximately \$250 per month. Both analyses assume the city administrator is driving 1,000 miles per month.

In addition, if the city elected to reimburse the city administrator at the city's current mileage reimbursement rate of 48.5 cents per mile, the monthly cost for 1,000 miles would be only \$485. The \$900 monthly allowance represents approximately 1,856 miles per month at the city's reimbursement rate.

It appears that it would be less expensive for the city to provide the city administrator with a city vehicle or reimburse him for his city mileage.

- B. The city did not solicit bids, request competitive proposals, or perform other price comparison procedures for some major transactions. The city has a purchasing policy detailing bidding and competitive pricing procedures to be followed. We had concerns related to the following purchases:
1. The current city policy allows the city to solicit bids and enter into agreements which provide the city the option to renew for various terms ranging from one to four years. However, the bids do not detail the specific prices or a maximum percent increase in the price for the option years. Currently, the city has entered into 45 of these agreements with various vendors. While the price did not increase in the option years for some contracts, in others there were price increases. For example, the city bid recycling bags in August of 2003 for \$1.248 per roll. The contract was renewed with the same price in 2004, but in October of 2005, the contract was renewed with a price increase to \$1.4857. The city documented the reason for the increase was due to an increase in cost of resin used to produce the recycling bags. By not requiring bids with specific prices or percent increases in the option years, the city is unable to ensure they are receiving the lowest total bid price over the course of the entire contract period.
 2. In October 2006, the city entered into an agreement with a business to lease a portion of the newly expanded recreation facility and provide exercise and training services without soliciting proposals. The term of

the contract is from September 1, 2007 through August 31, 2012. The contract authorizes a lease payment of \$144,000 annually for the first three years and \$156,000 annually for the last two years of the agreement. Without soliciting proposals, the city cannot ensure it is receiving the best price on the agreement.

3. The city has not obtained proposals for general counsel legal services. The city paid an outside law firm approximately \$278,000 during the year ending September 30, 2006, of which approximately \$165,000 was for general counsel legal services. The city has been using this law firm since August 1999. The city's purchasing code outlines procedures for obtaining proposals for professional services, but the code does not mandate the city periodically obtain proposals for professional services. While professional services, such as attorneys, may not be subject to standard bidding procedures, the city should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the city has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Documentation of the various proposals received, and the city's selection process and criteria should be retained to support decisions made.

- C. Although the city requires the purpose of the meeting and the individuals present to be noted on the receipt or invoice for local meals, this information was not always provided by the current and former Mayor. Some receipts for local meals purchased by the current and former Mayor were not detailed enough for an adequate review. Receipts from local restaurants from February 2006 through June of 2007 for \$71, \$59, \$40, and several smaller amounts did not include any supporting documentation detailing the meeting and why it was necessary to provide a meal. In some instances, there was no detail of the items purchased.

In addition, the city purchased food and catered meals costing approximately \$6,500 for the year ended September 30, 2006 for Board of Aldermen meetings and work sessions. The city indicated they provided these meals because the meetings start around 5:00 in the evening and last several hours. Approximately 20 to 25 meals were provided to board members and staff for 40 meetings for an average price of approximately \$6 to \$8 per meal which appeared to be a reasonable price.

Without detailed supporting documentation including the purpose and detail of the items purchased, the city cannot determine if the expenditures were reasonable and necessary uses of public funds. The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The city should ensure funds are spent only on items which are necessary and beneficial to city residents.

WE RECOMMEND the Board of Alderman:

- A.1. Ensure employment contracts contain severance pay clauses which are reasonable given the length of the contract.
- A.2. Review the reasonableness of the \$900 monthly vehicle allowance and consider either providing the City Administrator with a city vehicle or reimbursing the vehicle mileage incurred rather than paying the current allowance.
- B. Improve the current purchasing policy by requiring price quotes or limits for renewal options. In addition, the Board should ensure proposals are obtained for any future lease agreements. Finally, the purchasing policy should mandate periodic requests for proposals for the city's general legal counsel services.
- C. Ensure all meal receipts are detailed and include the purpose of the meeting or the reason why a meal was necessary and the individuals present for the meal. The Board should ensure all expenditures are a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

The findings in this area reflect no violations of State, Federal, or Municipal laws and regulations. These findings constitute no more than the opinion of the State Auditor's Office.

The Auditor has expressed concerns over the contracts of the City Administrator and Chief of Police. Under normal circumstances the City would agree with the State Auditor. Prior to these contracts, the City had never offered contracts with the guarantee provisions noted in this report. However, these particular contracts are in direct response to efforts by non-resident individuals to discredit and undermine the leadership of our City Administrator and Police Chief. This unusual special interest pressure against the City Administrator and Police Chief required extraordinary measures on behalf of the Mayor and Board of Aldermen to ensure stable day-to-day leadership of City staff. Both of these gentlemen are respected leaders in the community and have earned the confidence of the City staff that they supervise. These contracts were an intentional message both internally and externally as to the Mayor and Board of Aldermen's confidence in their continued leadership of the organization.

The Auditor expressed concerns regarding the car allowance paid to the City Administrator. The City respectfully disagrees. In 1997, our current City Administrator was hired pursuant to a nation-wide search. As part of the original recruitment package the City offered the City

Administrator the additional benefit of a vehicle to be used for both business and personal use. Providing this benefit as a monthly allowance that is included in the City Administrator's annual income reported to the IRS would appear to be consistent with the State Auditor's recent findings on this subject. State Audit Report No. 2007-64 issued by the State Auditor in October 2007, recommended that state officials pursue legislation regarding the proper use of state resources by elected and other state officials. This report criticized non-official use of state vehicles. Providing a City car for personal use would be contrary to the Auditor's previous stance on this subject. As such, providing a car allowance, which is included in the employee's W-2 earnings, is the appropriate means of providing this element of compensation to a political subdivision's top executive. In addition, the auditor is critical of the amount paid as the allowance. The Auditor has determined a monthly cost of \$640. The after tax value of the City Administrator's monthly allowance is \$540. Therefore, the City Administrator is actually \$100 per month below the Auditors calculated amount. Again the full value of this allowance is reported as earnings to the IRS.

The Auditor expressed concerns that certain contracts that had been previously bid and awarded to a low bidder were extended at the same price for an additional year without bidding. First, it is important to reemphasize that the items noted are not a violation of any State or Municipal law and reflects merely the opinion of the Auditor. The Auditor recommends that we actually get the renewal pricing at the time of the original bid. The City believes that this practice would actually result in higher prices for the contracts in question. Multiple-year pricing would cause bidders to build in increases at each renewal to hedge against uncertain future market conditions. The City merely gives a vendor the option to hold its price for a second or third year. The vendor has to weigh this opportunity against the possibility of losing the business when re-bid. This generally results in the City holding the low bid price for multiple years. The items noted by the Auditor represent a very low percentage of the contracts and purchases made in any given year. The 45 items noted were out of a total of 1,777 purchase orders and contracts issued during the period or 2.5%. Of those 45, three were renewed with a slight price increase (less than 2/10th of a percent of the contracts and purchase orders issued), one of which is the blue bag purchase noted in this report. In all cases the renewal is documented and justified as to why the City's best interest is served in the renewal. In the case of the blue bags, when the resin market stabilized, formal bids were obtained and the price came down under more stable market conditions. This approach resulted in the City paying less than the now going rate for these items. The Auditor's suggestion of a mandated re-bid process is not a good substitute for sound management judgment that takes into account the market conditions in which a City operates. We believe our purchasing system combines the best aspects of competitive bidding and sound management decision-making.

The Auditor expressed concerns regarding the lease at the new REC-PLEX building. As a general rule we agree that such transactions should go through a competitive process. The City negotiated with this business, which offered a unique fitness service compatible with the overall REC-PLEX operation. There was desire to get this business to locate within the City. The rental amount provides an annual profit, after debt service, of approximately \$50,000 to the REC-PLEX operations.

The Auditor suggests that the City periodically seek proposals for general counsel legal services. The City of St. Peters respectfully disagrees with this recommendation. Special counsel was appointed pursuant to the procedures called out for fourth class cities in Missouri Revised Statute 79.230 - Appointive Officers, which includes the method of selection for City Attorney and Special Counsel. The statute does not suggest nor require that this selection be done pursuant to a bidding process. Selection of a city attorney and special counsel is primarily dictated by their experience and expertise in municipal law. The hourly rates range from \$70 to \$195 per hour, which is at the low end of the market rates for experienced legal services.

The auditor expressed concerns over documentation related to lunch meeting expenses. Existing City policies actually require the documentation noted in this report. The items noted were petty cash transactions for which the custodian failed to obtain complete documentation. The City will make a more concentrated effort to ensure the proper documentation is maintained. The dollar amounts of the transactions were very low and the frequency of these meals is very low. Other than the need to maintain this documentation, the Auditor noted no improprieties. In addition, the auditor expressed concern over meals being provided to elected officials and staff prior to Board of Aldermen meetings. These meals are not extravagant and are purchased from City businesses on a rotational basis. On Board meeting nights, work sessions begin at 5 pm followed immediately by the Board of Aldermen meetings at 7 pm. These meetings rarely end before 9 pm. This requires that the Board of Aldermen come to the meeting directly from work and that City staff work through the normal dinner hour. Starting one hour later to allow for a dinner break has the negative impact of moving these meetings later into the evening and potentially creating a hardship for residents that desire to attend the meeting in person. The City will take this recommendation under advisement and will defer any action pending feedback from our citizens on this matter.

AUDITOR COMMENT

Neither this report nor the one referenced by the city indicated that providing either a vehicle allowance or a city vehicle for personal use, other than what is allowed by the IRS for commuting purposes, is appropriate.

3. Accounting Controls and Procedures
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The city has not recently conducted a physical inventory of its capital assets and usage logs are not maintained for city vehicles. The Police Department is not making transmittals on a timely basis and, in addition, the city is not formally documenting a review of water bills to the amount of water pumped and purchased.

- A. The city has not established procedures for an annual physical inventory of its capital assets. The city maintains a list of property by various departments and the assets are tagged as property of the city, but a physical inventory has not been conducted in at least eight years.

To ensure records are accurate and complete, an annual inventory of capital assets is necessary. Formal procedures for the annual physical inventory are necessary to ensure all personnel understand the duties assigned to them.

- B. Monies received by the Police Department are not transmitted in a timely manner. The Police Department records section collects money for copies of various reports, photos, arrest record checks, etc. For the year ending September 30, 2006, the records section collected approximately \$54,000. Transmittals are typically made weekly to the city's Citizens Action Center for deposit. A cash count conducted on August 8, 2007, showed the records section had over seven working days of collections, totaling approximately \$926 and including approximately \$280 in cash.

To adequately account for collections and reduce the risk of loss or misuse of funds, transmittals should be made on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected.

- C. The city does not formally document a reconciliation of the total gallons of water billed to customers to the gallons of water pumped and purchased by the city. The utility department has various reports showing the total amount of gallons of water billed to city customers. The Public Works department records the total number of gallons pumped for the month and the city also tracks the amount of water purchased from the city of St. Louis. Upon our request, the city calculated the gallons of water billed in the year ended September 30, 2006 was 1,956,000, which was 6 percent or 118,000 gallons less than the gallons of water pumped and purchased. The 6 percent difference appeared to be within a normal range as established by the Missouri Department of Natural Resources.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.

- D. The city does not maintain usage logs for city vehicles. According to the city's capital asset records, the city owns approximately 268 vehicles. While the city has a fleet maintenance system which documents maintenance of each vehicle and fuel pumped out of the city's bulk fuel tanks for each of the city vehicles, individual records are not kept for each vehicle documenting dates, beginning and ending odometer readings, destination and purpose of trips, and the employee utilizing the vehicle. In addition, the city keeps records for their pool cars which show dates used and employee name, however, the records do not show destinations or mileage. Without adequate vehicle usage logs, the city cannot effectively ensure that vehicles are used for official business only.

In addition, the city allows four non-law enforcement employees to use their vehicles for commuting. This benefit is reported as taxable compensation to the

employee at a rate of \$1.50 for each one-way commute in compliance with IRS publication 15-B. Since usage logs are not maintained the city is not aware of the amount of commuting mileage on these vehicles and if it is reasonable.

WE RECOMMEND the Board of Alderman:

- A. Ensure annual physical inventories are performed.
- B. Transmit all monies on a timely basis.
- C. Reconcile gallons of water pumped and purchased to the gallons billed on a monthly basis and investigate significant differences. In addition, the reconciliations should be documented.
- D. Require usage logs be maintained on all city vehicles which identify the vehicle operator, dates of use, miles driven, and destination and purpose of trips. Limit commuting distances allowed for take home vehicles when reporting the fringe benefit under the commuting rule.

AUDITEE'S RESPONSE

The findings in this area reflect no violations of State, Federal, or Municipal laws and regulations. These findings constitute no more than the opinion of the State Auditor's Office.

The auditor recommends that annual fixed asset inventories be performed. The City believes this should be done on a 3 or 4-year cycle. The City endeavors to complete a physical inventory every 3 to 4 years. An inventory was planned for fiscal year 2005, but was delayed due to the implementation of GASB 34. GASB 34 requires cities to measure and record the value of its infrastructure in its financial statements. This monumental effort was completed one year earlier than the fiscal year 2007 GASB deadline. However, it did require that we postpone the planned physical inventory. Valuable assets of the City are specifically assigned to individuals and work teams. These items include cars, computers, heavy equipment, all of which are part of a detailed replacement program. This practice provides safeguards over these assets and reduces the need to do an actual complete physical inventory more often than 3 to 4 years. The Auditor found no irregularities in this area.

The Auditor recommends that miscellaneous cash receipts at the police department be deposited more frequently. Presently, this money is deposited weekly. There is less than \$1,000 on hand at any point in time. These monies are in a secure location at the police department. There have been no problems with balancing and accounting for these deposits. As such, no change seems justified at this point. In the future, when Courts and Police are co-located at the new justice center, we can look at daily deposits being made along with the Court daily deposits.

The Auditor recommends a formal documented reconciliation of water pumped versus water billed be prepared monthly. As noted in the report the City prepared this reconciliation, which noted no problems. The City has no problem implementing this recommendation; however, due

to the time lag between the production of water and the billing to our customers, reconciliation on an annual basis is more meaningful.

The auditor recommends usage logs for all vehicles. The City does not believe that this will result in stronger controls over vehicle usage. Only 4 of the City's 268 vehicles are assigned as take home vehicles. As stated previously, all vehicles are assigned to individuals that use these vehicles for 100 percent City business (typically within the boundaries of the City) and are parked in City facilities after hours. The City has policies in place that prohibit personal use of any City asset. We believe that a log system would not detect any misuse because an employee would not be motivated to document any misuse of the vehicle in a log. Instead, we oversee this area with daily supervision of staff and with information provided through the City's preventive maintenance programs and automated fueling system. Each employee is given a code to use when fueling and must enter their code and the vehicle's mileage in order to receive fuel. Staff in the Fleet Maintenance Department reviews the data extracted from the fueling system and any unusual activity is questioned and investigated at that time.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. PETERS
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Peters is located in St. Charles County. The city was incorporated in 1910 and is currently a fourth-class city. The population of the city in 2000 was 51,381.

The city government consists of a mayor and eight-member board of aldermen. The members are elected for 4-year terms. The mayor is elected for a four-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended September 30, 2006, are identified below. The Mayor is paid \$44,250 and Board of Aldermen members are paid \$13,180 annually. The compensation of these officials is established by ordinance.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the Year Ended September 30, 2006</u>	
Shawn Brown, Mayor (1)	October 2005 – September 2006	
John Reitmeyer, Alderman	October 2005 – September 2006	
Terry Hawkins, Alderman (2)	October 2005 – September 2006	
Jerry B. Hollingsworth, Alderman	October 2005 – September 2006	
David Hayes, Alderman (3)	October 2005 – September 2006	
Bruce W. Holt, Alderman	October 2005 – September 2006	
Leonard B. Pagano, Alderman (4)	October 2005 – September 2006	
Patrick Barclay, Alderman	October 2005 – September 2006	
Robert Morrison, Alderman (5)	October 2005 – September 2006	
<u>Other Officials</u>	<u>Dates of Service During the Year Ended September 30, 2006</u>	<u>Compensation Paid for the Year Ended September 30, 2006</u>
William Charnisky, City Administrator (6)	October 2005 - September 2006	\$ 179,411
Timothy Wilkinson, Assistant City Administrator (7)	October 2005 - September 2006	122,190
Russell Batzel, Manager of Public Works Services (8)	October 2005 - September 2006	114,765
Thomas Bishop, Chief of Police (9)	October 2005 - September 2006	111,311
William J. Hutsler, Manager of Parks and Recreation Services (10)	October 2005 - September 2006	108,016
Cathy Pratt, Manager Engineering and Development Services (9)	October 2005 - September 2006	103,053

Ronald Darling, Manager of Health and Environmental Services (11)	October 2005 - September 2006	98,695
Donald L Kohl, Municipal Judge *	October 2005 - September 2006	30,000
Hazelwood and Weber LLC, Special Counsel (12)	October 2005 - September 2006	
Rita Westerson, City Collector (13)	October 2005 - September 2006	0
Morrison Law LLC (14)	October 2005 - November 2005	
McDonough and Cashion, LLC (15)	December 2005 - January 2006	
McDonough Law Firm, LLC (16)	February 2006 - September 2006	
Rhonda Shaw, City Clerk	October 2005 - September 2006	72,696
Dale Brown, City Treasurer	October 2005 - September 2006	900

* Elected position

- (1) Shawn Brown resigned in October 2006 and Bruce Holt, Board President, assumed the duties of mayor. Leonard B. Pagano was elected Mayor in April 2007.
- (2) Dave Thomas was elected Alderman in April of 2007.
- (3) Judy Bateman was elected Alderman in April of 2007.
- (4) Gus Elliot was elected Alderman in April 2007.
- (5) Don Aytes was elected Alderman in April 2007.
- (6) The compensation includes \$20,000 for deferred compensation benefit, \$10,800 for car allowance, and \$6,131 for LAGERS contribution.
- (7) The compensation includes \$6,500 for deferred compensation.
- (8) The compensation includes \$3,900 in deferred compensation benefit and \$687 for commuting vehicle allowance.
- (9) The compensation includes \$3,900 in deferred compensation benefit.
- (10) The compensation includes \$3,900 in deferred compensation benefit and \$678 for commuting vehicle allowance.
- (11) The compensation includes \$3,900 in deferred compensation benefit and \$675 for commuting vehicle allowance.
- (12) The city was billed on a hourly basis by the law firm of Hazelwood and Weber, LLC for Special Counsel. The city paid \$277,869 for legal services for the year ended September 30, 2006.
- (13) This position does not receive compensation and is filled by the city accounting manager.
- (14) The city was billed on a hourly basis by the law firm of Morrison Law, LLC for Prosecuting Attorney. The city paid \$17,116 for the year ended September 30, 2006. The law firm resigned in November of 2005 and was replaced by McDonough and Cashion, LLC.
- (15) The city was billed on a hourly basis by the law firm of McDonough and Cashion, LLC for Prosecuting Attorney. The city paid \$13,883 for the year ended September 30, 2006. The law firm resigned in January of 2006 and was replaced by McDonough Law Firm, LLC.
- (16) The city was billed on a hourly basis by the law firm of McDonough Law Firm, LLC for Prosecuting Attorney. The city paid \$45,562 for the year ended September 30, 2006. The law firm resigned in May of 2007 and was replaced by Frahm Law Firm, LLC.

In addition to the officials identified above, the city employed 499 full-time employees on September 30, 2006.

Assessed valuations and tax rates for 2007 and 2006 were as follows:

ASSESSED VALUATIONS	2007	2006
Real estate	\$ 924,201,236	842,747,200
Personal property	156,601,934	155,794,342
Total	<u>\$ 1,080,803,170</u>	<u>998,541,542</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	2007 Rate	2006 Rate
General Fund	\$.5300	.5500
Debt Service	.2400	.2500

TAX RATE(S) PER \$1 OF RETAIL SALES

	2007 Rate	2006 Rate
General	\$ 0.0100	0.0100
Transportation	0.0050	0.0050
Local Park and Storm Water	0.0010	0.0010



Susan Montee, CPA
Missouri State Auditor

Fifth Judicial Circuit

City of St. Joseph Municipal Division



January 2008

Report No. 2008-04

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

January 2008

An audit was conducted by our office of the Fifth Judicial Circuit, city of St. Joseph, Missouri Municipal Division.

The city of St. Joseph, Municipal Division has shown significant improvement since our prior audit. Most of our prior recommendations have been implemented by the court.

The Police Department and other city departments have not developed adequate procedures to account for the numerical sequence of traffic and other municipal tickets issued and processed by the court. Most departments do not track the issuance of tickets in a manner that would allow them to account for all tickets assigned to officers. While the police department, which accounts for approximately 85 percent of the tickets issued, posts all tickets issued and returned by officers to a database, the department does not have procedures in place to ensure the numerical sequence of tickets is accounted for. A log of all tickets issued, by type, is not prepared and reviewed for gaps in sequence or missing tickets.

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YELLOW SHEET

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fifth Judicial Circuit
and
Municipal Judge
St. Joseph, Missouri

We have audited certain operations of the city of St. Joseph Municipal Division of the Fifth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of this audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.
3. Determine the extent to which recommendations included in our prior audit report were implemented.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not

necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of St. Joseph Municipal Division of the Fifth Judicial Circuit.

A petition audit of the City of St. Joseph fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler CPA
In-Charge Auditor:	Susan Beeler
Audit Staff:	Julie A. Orlowski Richard Stuck

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Ticket Accountability

The Police Department and other city departments have not developed adequate procedures to account for the numerical sequence of traffic and other municipal tickets issued. Most tickets are assigned by the police department to police officers and other enforcement agents (such as code enforcement and the fire department). However, some departments (such as animal control and the local state university) assign their own tickets to their agents independent of the police department.

There is no overall accountability of all ordinance violation tickets processed through Municipal Court. Each department is responsible for tracking its own tickets and forwarding the tickets issued to the Prosecuting Attorney's office. Most departments issue one sequence of tickets, and with the exception of the animal control department, do not track the issuance of tickets in a manner that would allow them to account for all tickets assigned to officers. In addition, the police department (which makes up 85 percent of all tickets issued) issues three different sequences of tickets (traffic, parking, and warning tickets). While the police department posts all tickets issued and returned by officers to a database, including void tickets, the department does not have procedures in place to ensure the numerical sequence of tickets is accounted for. A log of all tickets issued, by type, is not prepared and reviewed for gaps in sequence or missing tickets. The police department indicated this database is maintained for statistical purposes and is not used to account for the numerical sequence of tickets issued.

Without proper accounting for the numerical sequence and disposition of tickets, the municipal division cannot be assured that all tickets issued were properly submitted to the court for processing.

WE RECOMMEND the city of St. Joseph municipal division work with the police department and other city departments to develop a method of accounting for the numerical sequence of all tickets issued.

AUDITEE'S RESPONSE

The Municipal Judge, city financial services department, and Police Chief provided the following response:

The City of St. Joseph Municipal Court Division and the St. Joseph Police Department have a good working relationship. This was shown with all in attendance during the meeting with the State Auditor's staff on Friday, December 14, 2007.

The St. Joseph Police Department currently maintains documentation for all citations written within the Commission on Accreditation for Law Enforcement Agencies (CALEA) certification process. The Records Management System contains these records. Procedures are being developed to provide regular accountability and internal audit of the citations written. These procedures will be in place by January 15, 2008.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of St. Joseph Municipal Division on the applicable finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2002.

The prior recommendation which has not been implemented is repeated in the current MAR.

City of St. Joseph Municipal Division

- A. The court did not regularly print out a listing of accrued costs and did not always take appropriate action when a case was past due or when a defendant failed to appear in court.
- B. Access to the computer system was not adequately restricted and a formal contingency plan had not been developed.
- C. The municipal division had not implemented adequate procedures to follow up on cash bonds held for more than one year.
- D. The municipal division did not follow up on surety bonds posted by defendants who failed to make the required court appearances.
- E.1. Court receipts were not transmitted intact on a timely basis, and checks and money orders were not restrictively endorsed immediately upon receipt.
 - 2. While a log was maintained of all monies received through the mail, this log was not reconciled to receipt slips issued or to the transmittals made to the city.
 - 3. The court computer system produced a report of all voided receipts, but explanations of why a receipt slip was voided were not documented and reviewed by a supervisor.
 - 4. Bond forms issued by the police department were not prenumbered.
- F. Conviction reports produced by the system were sometimes incomplete or inaccurate.
- G. Neither the police department nor municipal division adequately accounted for the numerical sequence of traffic tickets assigned to and issued by officers and their ultimate disposition.

Recommendations:

The City of St. Joseph Municipal Division:

- A. Make a greater effort to pursue collection of accrued costs and ensure warrants are issued in a timely manner to those who fail to comply with the terms of a pay order or who fail to appear for court.
- B. Ensure passwords are not shared, remain confidential, and that user IDs and passwords are promptly deleted upon termination or resignation. In addition, develop a formal contingency plan for the court's computer system.
- C. Implement adequate procedures to follow up on cash bonds and dispose of them in accordance with state law.
- D. Ensure surety bonds are followed up in accordance with state statute. Implement procedures to forfeit surety bonds when appropriate.
- E.1. Transmit monies received intact daily or when accumulated receipts exceed \$100 and restrictively endorse all checks and money orders immediately upon receipt.
 - 2. Reconcile the mail log to the receipt slips issued and the amounts transmitted to the city.
 - 3. Maintain documentation for why receipt slips were voided.
 - 4. Request the police department issue prenumbered bond forms for all bond monies received and account for the numerical sequence.
- F. Ensure conviction reports are complete and accurate and reviewed by the court clerk prior to being submitted to the Department of Revenue.
- G. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

Status:

- A-F. Implemented.
- G. Not implemented. Neither the police department nor municipal division adequately account for the numerical sequence of traffic tickets assigned to and issued by officers and other city officials and their ultimate dispositions. See the current MAR.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Joseph Municipal Division is within the Fifth Judicial Circuit, which consists of Buchanan and Andrew counties. The Honorable Patrick Robb serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	John Boeh
Court Administrator	Joanie Geesing
City Revenue Manager	Judith Hovey

The municipal division also employs one part-time and three full-time employees to assist with transactions.

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$1,361,160	1,238,110
Number of cases filed	21,585	19,642



Susan Montee, CPA
Missouri State Auditor

HEALTH AND SENIOR SERVICES

Protecting Children at Child Care Providers



January 2008
Report No. 2008-03

auditor.mo.gov



More Could Be Done to Protect Children at Child Care Providers

The Department of Health and Senior Services (DHSS) has responsibility for the licensing of certain family day care homes, group day care homes, and child day care centers. Because of the importance of ensuring the safety of children cared for by day care providers, we followed up on selected recommendations in our 2002 report titled *Child Care Facilities Inspections and Licensing (Report no. 2002-52)*, and related issues. Specific review objectives included determining whether (1) all children are subject to licensing requirements set forth in state law and/or DHSS regulations, (2) improvements are needed in the department's oversight of illegal daycare providers, and (3) improvements are needed in the department's oversight of complaint monitoring and legal referral process.

Exempting related children may increase risk of some children at licensed day cares

Some children may be at risk while being cared for in licensed day care facilities. Family day care home providers licensed to care for up to 10 children and group day care homes licensed to care for 11 to 20 children may actually be caring for an unlimited number of children. This situation has occurred because DHSS regulations have not included related children in the number of children in care. Children may also be at risk because providers caring for related children have not been subjected to other licensing regulations. As a result, children may have experienced increased exposure to illnesses and public records may not always exist of physically punished children that are related to providers. Department officials are considering changes that would ensure all children are subject to state licensing regulations that apply to day care providers. (See page 7)

Improvements needed to reduce risk at illegal providers

Some children may also be at risk at illegal day care providers because (1) periodic follow-up visits have not occurred to ensure illegally operating providers become compliant, or remain compliant with regulations, and (2) complaint investigation procedures have not always been adequate. In addition, penalties imposed by the General Assembly have not always deterred illegal providers. (See page 12)

System information not always complete or accurate, and management reports lacking

Our review of data obtained from the complaint tracking system for complaints received July 2005 through June 2007, showed some incomplete complaint investigations and complaints with incorrect data entered into certain data fields. We also found officials have not made use of the complaint tracking system to produce periodic management reports that could be used to help manage and evaluate the effectiveness of the complaint program. (See page 19)

Complaints not always completed in timely manner

Our review of complaints disclosed staff did not complete 42 percent of complaint investigations within 30 days. For example, we found 542 (20 percent) of 2,722 complaints took more than 60 days to complete, 277 (10 percent) complaints took over 90 days to complete, and 60 (2 percent) completed during the 2 years reviewed took more than 6 months to complete. Department procedures generally require complaint investigations to be completed within 30 days. (See page 20)

Improvements needed in
legal referral process

Our review of 92 cases referred to the department's legal office disclosed that the department took action on the majority of those cases. However, we found some cases had not been resolved in a timely manner. As a result, some providers continued to operate with no disciplinary action, and officials did not take action on two cases because the cases had been outstanding for an inordinate length of time. We also found the department had not established written goals for the timeliness of the administrative penalty process. (See page 21)

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Abbreviations

CSR	Code of State Regulations
DHSS	Department of Health and Senior Services
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SCCR	Section for Child Care Regulation



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Jane Drummond, Director
Department of Health and Senior Services
Jefferson City, MO

The Department of Health and Senior Services (DHSS), Division of Regulation and Licensure, Section for Child Care Regulation (SCCR), is responsible for the licensing of certain family day care homes, group day care homes, and child day care centers. Because of the importance of ensuring the safety of children cared for by day care providers, we followed up on selected recommendations in our 2002 report titled *Child Care Facilities Inspections and Licensing (Report No. 2002-52)*, and related issues. Specific review objectives included determining whether (1) all children are subject to licensing requirements set forth in state law and/or DHSS regulations, (2) improvements are needed in the department's oversight of illegal day care providers, and (3) improvements are needed in the department's oversight of complaint monitoring and legal referral process.

We found some children may be at risk in licensed day cares because DHSS has generally exempted children related to providers from department licensing regulations. As a result, family day care homes and group day care homes may be caring for an unlimited number of children, some children may be subjected to increased risk of illness, and the department does not always maintain records of physically punished children that are related to family day care home and group day care home providers. Department officials are considering changes to state regulations that would include all children in state licensing regulations that apply to day care providers. We also found children cared for by illegal providers may also be at risk because (1) the department has not ensured illegally operating providers become compliant, or remain compliant with regulations, and (2) complaint investigation procedures have not always been adequate. In 2007, officials modified complaint investigation procedures; however, the department has not established specific plans or timetable to evaluate the effectiveness of modified procedures.

We also found improvements are needed in the department's monitoring of complaints. This situation has occurred because the department has not (1) ensured complaint system information is complete and accurate, and system management reports are produced on a periodic basis; and (2) ensured complaints have always been completed in a timely manner. In addition, the department's legal referral process could be enhanced by improving the timeliness of complaint resolution.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel and key contributors to this report included Robert Spence, Anissa Falconer, Evans Owala, and Ryan Redel.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Department of Health and Senior Services (DHSS), Division of Regulation and Licensure, Section for Child Care Regulation (SCCR), is responsible for the licensing of certain family day care homes, group day care homes, and child day care centers. SCCR services include inspections to determine compliance with licensing rules, issuing licenses, receiving and investigating complaints about facilities, and receiving and investigating complaints on persons providing care for more than four children that are not related to the providers (unrelated children) without a license.

State law¹ requires any person operating a child care facility to have a license granted by SCCR unless:

- The individual is caring for four or fewer children. The provider's children, grandchildren, great-grandchildren, brothers, sisters, stepchildren, stepbrothers, stepsisters, nieces, or nephews are not counted (related children).
- The provider has been appointed guardian or has legal custody of the children.
- The provider only cares for children free of charge, and for less than 90 consecutive days.
- The provider is a boarding school, summer camp, hospital, nursery school, or residential facility or day program licensed by the Department of Mental Health.
- The child care facility is operated under the exclusive control of a religious organization.

In a family day care home, care may be provided to no more than 10 children not related to the provider. Group day care homes may provide care for 11 to 20 children not related to the provider, in a location other than the provider's permanent residence or separate from the provider's living quarters. Child care centers may provide care for any number of children dependent on the director's qualifications, available staffing, amount of usable indoor floor space, amount of outdoor play space and materials and equipment.

¹ Section 210.211, RSMo.

As of September 2007, the number of licensed facilities totaled 3,820 and included 1,966 licensed child care centers, 1,669 licensed family homes, and 185 licensed group homes. In addition, SCCR is responsible for inspecting 598 license-exempt programs.²

State law³ requires SCCR to maintain a record of, and make available to the public on request, substantiated, signed parental complaints against licensed child care facilities. During the 2 years ended June 30, 2007, SCCR initiated 3,009 complaint investigations. SCCR staff substantiated allegations for 1,158 (39 percent) of the complaints, found the charges unsubstantiated in 1,569 (52 percent) of the complaints, and 282 investigations (9 percent) were either not completed or personnel did not record the disposition in the automated tracking system. See page 19 for additional discussion.

State law⁴ authorizes various penalties for violations of state law and department regulations (see Appendix I). An unlicensed provider violating state law for the first time is guilty of an infraction and fined \$200, subsequent offenders will be guilty of a Class A misdemeanor. If a licensed provider violates department regulations, SCCR may deny, suspend, place on probation or revoke a license after notifying the provider of its intentions. Alternatively, SCCR may issue letters of censure or warning without formal notice or hearing if a provider violates department regulations. If SCCR officials believe there is a threat of imminent bodily harm to children in care, SCCR can immediately suspend the license. In cases of imminent bodily harm to children, the department may file suit in the circuit court of the county in which the child care facility is located for injunctive relief, which may include removing the children from the facility, overseeing the operation of the facility, or closing the facility.

Previous SAO Work

The State Auditor's Office (SAO) published a report in 2002 addressing issues related to child care providers.⁵ That report recommended, in part, the General Assembly enact legislation that would limit the number of children, related and unrelated to providers, in day care facilities. The General Assembly did not take action on our recommendation. See page 7 for additional comments.

² Nursery schools and child care programs operated by religious organizations (called license-exempt facilities) are not required to be licensed but must be inspected annually regarding health and safety, fire safety and sanitation.

³ Section 210.203, RSMo.

⁴ Section 210.245, RSMo.

⁵ *Child Care Facilities Inspections and Licensing*, SAO, July 19, 2002 (Report No. 2002-52).

Scope and Methodology

We also reported DHSS proposed state regulations be changed to include related children in licensing capacity limit of 10 children to one adult. In 1998, officials sent proposed revisions to licensed providers and children advocates. The department received negative responses from the majority of providers. As a result of opposition and concerns expressed by some members of the General Assembly, the department withdrew proposed revisions. See page 10 for additional discussion on department attempts to revise state regulations in regard to related children in day care.

We recommended the General Assembly increase monetary penalties that could be assessed against child care providers operating in violation of state statutes and regulation. The General Assembly did not take action on our recommendation. See page 15 for additional comments.

To accomplish review objectives, we conducted work at the SCCR central office in Jefferson City and district offices located in Columbia, Independence, Springfield, and St. Louis. We interviewed knowledgeable officials and reviewed program documentation and/or data needed to accomplish objectives.

To determine whether all children are included in licensing requirements set forth in state law and/or DHSS regulations, we reviewed current and prior state laws and regulations, proposed changes to regulations, and associated comments. We researched practices in the eight surrounding states, and reviewed the number of related and unrelated children shown on license monitoring reports.

To determine whether improvements are needed in the department's oversight of illegal day care providers, we reviewed the SCCR procedure manual, held discussions with central office and district office staff, and reviewed complaints about individuals providing care to more than four unrelated children. We also analyzed SCCR complaint tracking system data to determine the number of unlicensed provider complaints for fiscal years 2006 and 2007, and complaint investigation outcomes. For those unlicensed providers shown in the complaint tracking system as pursuing licensure, we compared provider names to a listing of new licensees and pending applications. We also reviewed six administrative penalty referrals for illegal providers. We reviewed supervisor complaint tracking logs to determine if procedures were followed, and compared information on the supervisor logs to information included in the complaint tracking system.

To determine whether improvements are needed in the department's oversight of complaints, we analyzed data from the complaint tracking system, compiled for us by SCCR. We determined the number of incomplete complaints, how many had an incorrect "compliance" field, and

determined timeliness, according to tracking system data. We randomly selected 90 complaint files in 4 district offices and determined whether personnel followed SCCR procedures during investigations. We also reviewed the procedure manual to determine whether staff followed procedures.

To determine whether improvements are needed in the department's legal referral process, we discussed the process with central office and district staff, reviewed related procedures and documentation relating to 14 cases referred for penalty assessment during fiscal years 2006 and 2007.

Children May Be at Risk in Licensed and Illegal Day Cares

Some children may be at risk while being cared for in licensed day cares. Family day care home providers licensed to care for up to 10 children and group day care homes licensed to care for 11 to 20 children may actually be caring for an unlimited number of children. This situation has occurred because DHSS regulations have not included related⁶ children in the number of children in care. Children may also be at risk because providers caring for related children have not always been subjected to other licensing regulations. As a result, some children may experience increased exposure to illnesses and a public record may not always exist on complaints relating to physical punishment of related children.

Unlicensed, illegal providers may also be placing children at risk. Some providers have continued to operate illegally because (1) the department has not ensured illegally operating providers become compliant, or remain compliant, and (2) complaint investigation procedures have not always been adequate.

Exempting Related Children May Increase Risk to Some Children at Licensed Day Cares

Child care is regulated through various aspects, such as staffing requirements based on the number of children under the supervision of an adult, health rules to curb the spread of disease, background screenings, childhood injury prevention, fire safety, environmental health issues, staff training and education, physical plant requirements, space requirements and equipment requirements. However, state regulations⁷ exempt related children from licensing rules when cared for by licensed providers. For example, related children do not count towards the number of children allowed in care, do not have to be sent home when they are sick, and a public record would not always exist of complaints concerning the physical punishment of children related to licensed day care providers.

Some providers caring for an unlimited number of children

SCCR has not counted related children in the number of children cared for in family day care homes or group day care homes. Therefore, a family day care home provider may care for up to 10 unrelated children, as well as an unlimited number of related children.⁸ According to state regulations,⁹ licensing capacities for a licensed family day care home are as follows:

⁶ 19 CSR 30-61.010 defines related as any of the following relationships by marriage, blood or adoption between the provider and the children in care: parent, grandparent, great-grandparent, brother, sister, stepparent, stepbrother, stepsister, uncle, aunt, niece, nephew or first cousin. SCCR procedures do not include first cousins in the definition of related.

⁷ 19 CSR 30-61.045 (2) (b).

⁸ Providers are subject to space requirements. 19 CSR 30-61.085 (2)(B)(1) requires a minimum of 35 square feet per child that come into the home.

⁹ 19 CSR 30-61.105 (2).

-
- If there is one adult provider, the home may be licensed for up to 6 children including a maximum of 3 children under age 2, or for up to 10 children including a maximum of 2 children under age 2, or both. If only 4 children are present, all the children may be under the age of 2.
 - If the provider has an assistant present, the home may be licensed for up to 10 children including a maximum of 4 children under age 2 or for up to 8 children who may all be under age 2.

Department officials could not tell us why particular limits had been set; although they did tell us they based the number of allowed children under age 2 on fire safety standards.

During site visits to four district offices, we found documentation that some child care providers legally exceeded the number of children approved on licenses. The following illustrate examples found:

- Provider A is licensed to care for 10 children. From July 2005 to July 2006, SCCR staff documented four visits where the provider cared for 15 to 18 children without an assistant. However, the provider did not violate regulations because 8 to 13 children were related to the provider.
- Provider B is licensed to care for 10 children, with an assistant present. In June 2007, SCCR staff documented 16 children in care with an assistant present. However, the provider did not violate regulations because nine children were related to the provider.

Officials have not tracked number of children cared for by providers

Department officials could not provide any statistics or reports on the number of related children cared for by licensed providers. Our review of provider files disclosed each time SCCR staff visit a provider they make manual notes for the file stating how many children they observed at the facility, including the number of related children. However, the department has not tracked the information in an electronic format, so SCCR officials could not tell us how often licensed providers care for more than licensed capacities, or which providers cared for the most children.

Increased exposure of other children to illness

State regulations¹⁰ require children in licensed care to be sent home if they show any of the following symptoms:

- Diarrhea
- Severe coughing
- Pinkeye
- Unusual spots or rashes
- Fever over 100 hundred degrees Fahrenheit
- Vomiting more than once

However, because children related to caregivers are exempt from licensing rules, they could remain at the day care center, when exhibiting one of the above symptoms. Therefore, having related children at a facility in excess of capacity limits increases the opportunities that other children could become sick. According to state regulations, unrelated sick children would not be allowed to attend the facility.

Complaints regarding physical punishment of related children not always documented

State regulations¹¹ also prohibit physical punishment, including spanking, within licensed child care facilities except in cases involving related children. However, physical punishment of related children would not be documented unless the investigation disclosed the actions had proved threatening or frightening to other unrelated children. When that is the case, regulations require the occurrence be recorded in the provider's public file as a rule violation.

During our review of complaints, auditors found one instance where a complaint alleged the provider spanked children. The investigation revealed the provider spanked only related children, and did not threaten or frighten other unrelated children. Therefore, the investigator considered the allegation unsubstantiated and there would be no record of the complaint in the provider's public file.

Conversely, we found another example where day care center staff spanked a related child, with the permission of the child's parents. The staff person physically punished the related child. However, since a corporate day care center provided the care, the child could not be related to the actual provider because, corporations are legal business entities and do not have related children. Therefore, SCCR substantiated the complaint and placed documentation in the provider's public file.

¹⁰ 19 CSR 30-61.185 (2) (e).

¹¹ 19 CSR 30-61.175 (1)(c)(7).

Officials considered
changing state regulations
and cited risk factors

State law addresses licensing requirements for providers and exempts related children from determining whether a license is needed. State law also has not addressed whether related children are included in licensing rules when cared for by a licensed provider, and state regulations have exempted related children from licensing rules. However, in 2004 officials proposed new state regulations that would have included related children in licensing rules. Department officials decided not to pursue proposed rule changes in 2005 because they received negative feedback from the Joint Committee on Administrative Rules,¹² child care providers, and the public. For example, the majority of the negative comments, contained in a petition form letter from providers, stated the (1) department did not notify providers about the proposed new rules, (2) proposed rules were "promulgated unlawfully because they did not go through the Small Business Regulatory Fairness Board," and (3) fiscal notes did not accurately reflect providers' costs.

The department disagreed with the negative comments and stated (1) the department mailed notification letters about the rule revision process to all regulated child care facilities on November 2, 2004, and (2) filed the proposed rules with the Small Business Regulatory Fairness Board on October 15, 2004, in accordance with section 536.300.2, RSMo. In addition, the department stated it believed provider methodology used for determining average provider costs was flawed.

In addition, department officials prepared the following comments during the proposed rule change process:

- These regulations allow "for an excessive number of children in care thus placing all children in jeopardy by exceeding the providers' capacity for care."
- "All children, whether related or unrelated, require a provider's time and attention. Licensing rules are designed to protect children's health and safety. One of the most important factors impacting children's health and safety is the number of adults to provide care and supervision to a set number of children."
- "To continue to allow one provider to provide child care for ten unrelated children and an unlimited number of related children are not in the best interests of any children, including the related children."

¹² The function of this committee is to review all rules promulgated by state agencies, except rules promulgated by the Labor and Industrial Relations Commission.

Therefore, the department is attempting to address this potentially dangerous situation through this requirement."

- "The department strongly believes that the children's safety outweighs the potential financial impact to the child care providers."
- "There are also health and safety concerns when one adult provides care to 18 to 20 young children, as has been documented by the department. The most obvious concern would be how one adult could safely evacuate all the children in the event of an emergency, such as a fire. The department feels that one provider is unable to adequately meet the needs of an unlimited number of infants, toddlers, preschool and school age children."

SCCR officials told us they did not continue to pursue prior rule revisions in 2005 because of the overwhelming volume of responses—over 3,500 comments. They believe the large volume of responses occurred, in part, because they attempted to change all three chapters of rules at one time. Officials also believe rule changes may not have been pursued because of the sheer manpower that would be needed to respond to all the comments.

Officials considering including related children in license requirements when rule changes are resubmitted

As of November 2007, SCCR officials are planning to again propose rule revisions. Officials are considering including related children in all licensing requirements. However, they plan to conduct additional research on this issue in order to determine the feasibility of changing regulations.

According to officials, rule revisions were not resubmitted prior to November 2007 for the following reasons:

- It would have been inappropriate to resubmit immediately.
- Some of the issues raised in comments need to be addressed in the new proposed rules.
- Changes occurred in SCCR administration in October 2006 and again in February 2007. The new administrator needed time to learn more about the section before proposing the new rules.

SCCR plans to submit the revisions one chapter at a time. The first chapter revised will address group day care homes and child care centers, followed by family day care homes, and finally licensed exempt centers. SCCR plans to have the group day care homes and child care centers chapter complete within a year.

Surrounding states include related children

SCCR officials are also preparing a request for proposal to hire a third party to conduct focus groups with providers to address provider concerns before the new rules are proposed. Officials plan to work with the basic framework of the 2004 revisions, but by communicating with providers ahead of time, they hope to fix some of the problems and educate providers about the reasons for some needed changes, according to SCCR officials. Additionally, SCCR wants to find experts to publicly support reasons for the rule changes.

None of the eight states surrounding Missouri allow an unlimited number of children to be cared for in licensed facilities. Instead, regulations in each of these states specify related children are counted in licensing capacities.

Improvements Needed to Eliminate Illegal Providers

Some children may be at risk at illegal day care providers because (1) periodic follow-up visits have not occurred to ensure illegally operating providers become compliant, or remain compliant with regulations, and (2) complaint investigation procedures have not always been adequate. In addition, penalties imposed by the General Assembly have not always deterred illegal providers.

No assurance most illegally operating providers became compliant or remained compliant

During the 2 years ended June 30, 2007, SCCR identified 138¹³ unlicensed providers illegally providing care to more than four unrelated children. However, SCCR only had assurance that 34 (25 percent)¹⁴ of the illegal providers became compliant or received disciplinary action.

Eighty-six (62 percent) of the 138 providers informed SCCR staff they would begin caring for fewer than 4 children and therefore, district staff took no disciplinary action. Our reviews of complaints and penalty assessment files disclosed district office staff usually made a follow-up visit to verify the number of children cared for had been reduced. However, we identified seven instances¹⁵ where these providers never stopped conducting illegal care, or returned to illegal care. For example:

¹³ Of the 138 illegal providers identified, 86 stated care would be reduced to fewer than 4 unrelated children, 26 either became licensed or licenses are still pending, 10 applied to become licensed but did not, 8 were referred to central office for disciplinary action, and 8 had unknown dispositions.

¹⁴ Twenty-six providers became, or are in the process of becoming, licensed and eight providers have been referred to prosecutors, or are in the process of being referred. Therefore, in total, 34 (25 percent) of the 138 illegally operating providers either became compliant or received disciplinary action.

¹⁵ We reviewed complaint investigations, penalty assessment files, or discussed with officials 21 unlicensed providers. Of these 21 providers, 7 did not come into compliance with regulations.

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- Staff observed Provider A caring for nine unrelated children in November 2005, and the provider agreed to reduce the number of children. Staff made two visits to the provider in December 2005, but no one responded, and staff assumed the provider became compliant. District staff received a second complaint in August 2006, and staff observed the provider caring for five unrelated children. Again, the provider agreed to reduce care. Staff contacted the provider by phone in late August 2006, and the provider stated the number of children in care had been reduced. Staff received a third complaint, and staff observed the provider caring for 10 unrelated children in April 2007. The provider again stated the number of children in care would be reduced. Staff followed up later in April 2007 and observed the provider caring for eight unrelated children. At this time, staff began the process for referring Provider A to the prosecuting attorney.
 - Staff learned Provider B cared for six unrelated children in August 2005, although not as the result of a complaint. The provider stated the number of children in care had been reduced. District staff then received a complaint, and in early January 2007, staff observed 10 unrelated children in care. Again, the provider stated the number of children would be reduced. Staff received a second complaint, and in January 2007, staff observed eight unrelated children in care. District staff conducted a follow-up visit in late January 2007, and found the provider complied with the law. Staff received a third complaint, and in April 2007, staff observed nine unrelated children in care. At this time, staff began the process for referring Provider B to the prosecuting attorney.
 - In March 2005, staff observed Provider C caring for more than four unrelated children. Staff followed up in April 2005 and found the provider caring for three unrelated children, in compliance with the law. Staff became aware of this provider again when a child died in the provider's care in August 2007. Staff investigated, and found the provider had been caring for more than four unrelated children. This case has been referred to the prosecuting attorney.

During the 2 years ended June 2007, 36 unlicensed, illegal providers told SCCR staff they would become licensed. Twenty-six (72 percent) of these providers did become licensed, or are in the process of becoming licensed. However, 10 others either withdrew applications for licensure or applications had expired.¹⁶ An SCCR official told us under current

¹⁶ An applicant may withdraw an application at any time within 6 months of the filing date. An application automatically expires after 6 months after the filing date if not approved.

procedures, no further action would be taken on the 10 providers unless the department received another complaint. The SCCR procedures manual has not addressed follow-up action to be taken when illegal providers withdraw applications or when applications expire.

The department also has not established procedures to conduct periodic, follow-up visits to providers who have been operating illegally in order to determine whether providers became compliant, or have remained compliant with regulations.

Complaint investigation procedures needed improvement

Prior to May 2007, when SCCR received a complaint alleging an unlicensed provider cared for more than four unrelated children, department procedures required district staff to send a letter to the provider, informing the provider of the law and asking the provider for the names and relationships of all children in care. However, SCCR staff did not go on-site to determine how many children the provider cared for unless the provider did not respond to the letter, or SCCR received a subsequent complaint on the same provider. Therefore, if the provider responded and stated four or fewer unrelated children were being cared for, DHSS would take no further action. Department procedures also stated district office staff should notify central office of the need for a prosecuting attorney referral after the third substantiated complaint.

Complaint procedures modified in May 2007

SCCR officials wanted to take a tougher stance on illegal providers, according to officials. Therefore, in May 2007, officials modified complaint investigation procedures. The modified procedures require (1) on-site visits within 10 days to investigate all illegal provider complaints; (2) staff to notify parents of children in the day care that the provider is operating illegally, if staff substantiate the complaint; and (3) staff to notify law enforcement on the first observance of illegal care¹⁷ and, after a second substantiated complaint of illegal care, district staff are required to refer the case to central office for referral to the prosecuting attorney. However, if special circumstances exist—unsanitary conditions, a death, or too many children in care—central office staff can refer the situation to a prosecuting attorney after the first substantiated incident. The modified procedures have resulted in more referrals to prosecutors in the 6 months between May and October 2007 than in the prior 22 months, from July 2005 to April 2007.¹⁸

¹⁷ According to an official, law enforcement agencies are notified so they will have a record the provider violated the law.

¹⁸ Between May and October 2007 three providers have been referred to prosecutors; only two providers were referred to prosecutors between July 2005 and April 2007.

Officials have no specific plans to evaluate procedures	Department officials stated they intend to evaluate the effectiveness of complaint follow-up procedures modified in May 2007. However, officials did not have a specific plan or timetable for doing so, and have not established criteria for determining whether or not the new procedures are more effective than previous procedures.
Increased penalties could deter illegal providers	<p>As we reported in 2002, prosecutors can only charge illegally operating unlicensed child care providers with an infraction that provides for a maximum \$200 fine for a first violation. Subsequent violations are treated as Class A misdemeanors. We also reported some providers continued to operate illegally even though some had been prosecuted and fined and other providers knew they could be fined. Previous officials explained small fines often mattered little to a provider that may gross \$52,000 a year caring for 10 children at \$100 per child per week.</p> <p>We also reported that fines levied against individuals violating child care laws and regulations in other states have been more punitive than in Missouri. For example, we reported Nebraska could fine providers \$5 a day, per child over allowed capacity, and Kansas could fine providers up to \$500 per violation per day. We recommended the General Assembly increase the monetary penalty. However, no changes to state law have been made.</p>
Officials considering increased penalties and referrals to prosecuting attorneys on first observance of illegal activity	<p>SCCR officials stated it takes significant staff time to investigate an illegal provider complaint, contact law enforcement, prepare a prosecuting attorney referral, and follow up on the referral. Therefore, they are considering requesting the General Assembly to increase penalties and/or request more authority to assess administrative penalties. Officials told us more research is needed before they can determine what action may be needed.</p> <p>Officials told us they are considering referring illegal unlicensed providers—those caring for more than four unrelated children—to prosecutors on the first offense. SCCR officials stated since May 2007, central office has been tracking illegal providers identified by district offices through complaints and have substantiated 88. If they find there are few substantiated illegal providers identified, they may decide to prepare prosecuting attorney referrals on the first offense. However, they are not sure they have the manpower needed to prepare prosecuting attorney referrals on the first offense if there are many substantiated cases.</p>
Officials want to increase prosecutions	Officials also told us that once a case is referred to a prosecuting attorney, the prosecutor may choose not to prosecute. Of the five cases referred to local prosecutors between July 2005 and October 2007, only one has been prosecuted. One prosecutor refused to prosecute, and three cases are still pending, and SCCR officials do not know whether prosecutors will press charges or not.

According to SCCR officials, one prosecutor informed the officials he chose not to file charges because the illegal provider had closed and no longer provided care at the time of the prosecutor's investigation. Officials stated that in January 2007, SCCR staff initiated enhanced efforts to determine why prosecutors decline to prosecute referred cases.

Conclusions

Department regulations have not required children related to providers to be counted towards the number of children being cared for in family day care homes or group day cares, or other licensing regulations. Not including related children in the same regulations covering non-related children puts related children at risk.

Some child care providers are continuing to illegally provide care to more than four unrelated children. This situation has occurred, in part, because the department has not (1) ensured illegally operating providers become compliant, or remain compliant with regulations; and (2) always had adequate investigation procedures. In May 2007, officials modified complaint investigation procedures and the department plans to evaluate the modified procedures. However, officials have not developed a specific plan or timetable, and have not developed criteria for determining the effectiveness of the new procedures.

Penalties imposed on providers have not been adequate to deter providers from operating illegally. Officials may support increased penalties if research discloses it is warranted. Our prior work found surrounding states have established more severe penalties and increasing penalties could encourage illegal providers to comply with state law and regulations. Providing the department the authority to assess administrative penalties on illegal providers could also deter illegal providers from operating. Officials are also considering referring illegal unlicensed providers to prosecutors on the first offense, doing so would enhance efforts to stop illegal providers.

Prosecutors sometimes choose not to prosecute illegal providers. Working with prosecutors to determine ways to facilitate future prosecutions may result in increased prosecutions of illegal providers.

Recommendations

We recommend the Director of the Department of Health and Senior Services:

- 2.1 Change state regulations to include related children when counting the number of children receiving care by a licensed provider, and include related children in all provider licensing rules.

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- 2.2 Conduct periodic reviews of illegally operating, unlicensed providers who claim to have reduced the number of children in care, or who state they will become licensed, to ensure these providers become compliant, and/or remain compliant with regulations. Noncompliant providers should be referred to the prosecuting attorney.
 - 2.3 Establish specific procedures, criteria, and timing for evaluating the effectiveness of modified unlicensed caregiver investigation procedures.
 - 2.4 Work with the General Assembly to develop law that increases penalties for illegally operating day cares and/or provides the department with the authority to assess administrative penalties on illegal providers.
 - 2.5 Work with prosecutors to determine improved methods to facilitate prosecutors' pursuing legal action against unlicensed providers.

We recommend the General Assembly establish state law that:

- 2.6 Increases criminal penalties and/or creates provisions for the department to assess and enforce penalties for illegally operating day cares.

Agency Comments

- 2.1 *DHSS concurs with this recommendation. DHSS proposed a comprehensive set of revisions to childcare licensing rules in 2004, including those addressing the issue of related children. Due to the volume of comments regarding the proposed rules, it was determined by DHSS that a smaller, more focused effort was the preferred course of action. For that reason, the proposed rules were withdrawn in 2005. DHSS plans to file revised childcare licensing rules in 2008 that will address the issue of including related children.*
- 2.2 *DHSS concurs with this recommendation. In May 2007, the Section for Child Care Regulation (SCCR) enhanced its investigation and referral procedures to address unlicensed care providers. Currently, SCCR investigates a complaint for unlicensed care within ten days of receipt of the complaint. If the complaint is substantiated, then parents of the children in care are notified that their provider is unlicensed. In addition, the local prosecuting attorney is notified about the violation. If providers claim they will reduce capacity to four or fewer unrelated children, then SCCR makes a follow-up inspection within 14 days of the initial investigation. If illegal care is being provided at the time of the follow-up inspection, then SCCR makes a referral to the local prosecuting attorney for violation of Section 210.211, RSMo. If a provider begins the steps to become licensed, then SCCR offers*

technical assistance to bring the program and facility into compliance. If the applicant ultimately withdraws the application or the application expires, then SCCR can make a return, unannounced inspection. SCCR will review procedures to determine what additional actions, if any, are necessary.

2.3 DHSS concurs with this recommendation. SCCR will develop procedures and criteria to evaluate the effectiveness of the modified unlicensed caregiver investigation procedures.

2.4 Insufficient data is available to estimate the number of unlicensed providers operating in the State of Missouri. SCCR has only recently begun collecting data on this issue. After sufficient data has been collected and analyzed, SCCR will consider recommending increased penalties for childcare providers operating illegally. SCCR will cooperate with the General Assembly, should a statutory change be proposed.

2.5 DHSS concurs with this recommendation. DHSS Office of General Counsel will work with prosecutors to encourage them to pursue legal action against unlicensed day care providers.

Improvements Needed in Complaint Monitoring and Legal Referral Process

Improvements are needed in the department's monitoring of complaints because (1) the department has not always ensured complete and accurate information has been maintained in its complaint tracking system, and periodic reports have not been prepared using complaint system data; and (2) complaints have not always been completed in a timely manner. As a result, the department cannot be assured tracking system information is complete, accurate, and entered in a timely manner. Improvements are also needed in the department's legal referral process because complaints have not been resolved in a timely manner.

System Information Not Always Complete or Accurate, and Management Reports Lacking

Our review of data obtained from the complaint tracking system for complaints received July 2005 through June 2007, showed some incomplete complaint investigations and complaints with incorrect data entered into certain data fields. For example, the tracking system showed 9 percent of complaints entered for the 2-year time period to be incomplete, as of August 2007. The rate of incomplete complaints varied by district. For example, 2 of 6 districts had incomplete rates of 15 and 13 percent, while 4 districts had incomplete rates of 3 to 7 percent. SCCR officials initially told us they were not aware of this condition and they also did not know whether staff had not completed complaint investigations, or the districts had failed to enter data showing resolution of the complaint in a timely manner.

On further review, officials found that in the district with 15 percent of complaints showing as incomplete, a clerical staff person had not entered complaint resolutions in the system, and that the individual inaccurately entered non-complaint visits to providers in the system as complaints. After auditors brought this issue to their attention, officials stated they would be entering the missing data and deleting complaints entered in error.

We reviewed individual complaint tracking logs for the district with 13 percent of complaints shown as incomplete, and found that 2 field staff had high rates of incomplete complaint investigations in the system. The supervisor for these field staff stated that these staff had unusually high numbers of complaint investigations to complete. The supervisor also stated that although staff was completing investigations, some of the paper work and data entry was not being done in a timely manner.

In November 2007, a central office official told us most incomplete complaints were actually completed, but staff had not entered resolutions into the complaint tracking system in a timely manner. Our review of 90 complaint investigations did disclose 11 instances in which staff took from 33 days to 194 days, for an average of 85 days, to enter investigation data in the system.

Incorrect data entered on complaint tracking system

Our review of complaint tracking system data also indicated areas where staff had incorrectly entered information, due to the lack of standard procedures for entering the data. For example:

- Staff incorrectly completed one field in the tracking system for 618 of 2,727 completed complaints, or 23 percent of the complaints for the 2-year review period. Our review of system data also disclosed the error rate varied by district. For example, one district incorrectly completed the field 76 percent of the time, and in a second district 48 percent of the time. Three districts incorrectly completed the field less than 5 percent of the time. Therefore, officials cannot always tell whether providers are compliant. In discussing this issue, an official stated the department plans to make policy and procedure changes to ensure staff understand the use of data for the field.
- Complaint data entered by staff showed disciplinary action had been taken against unlicensed providers in 32 cases. However, on further review, officials found no disciplinary action had been taken on 24 of the 32 cases (75 percent). An official stated that some staff thought that entering disciplinary action in a particular field meant the complaint had been substantiated. The official also explained that data entry choices in the complaint tracking system do not work in all situations. In discussing this issue, the official told us the department plans to identify a more effective way to enter information that not only applies to the case, but is also easily tracked and understood.

Auditors identified the above situations by using reports that officials generated for our use.

Management reports lacking

Officials have limited periodic management reports using data from the complaint tracking system to one report titled Monthly Report of Regulatory Activity. This report shows the number of complaint investigative inspections conducted each month. Sound business practices dictate the department take advantage of information contained in its complaint data system to improve its oversight of complaints in order to identify trends and address other management issues related to complaint processing.

Complaints Not Always Completed in Timely Manner

Our review of complaints disclosed staff did not complete 42 percent of complaint investigations within 30 days. For example, we found 542 (20 percent) of 2,722 complaints took more than 60 days to complete, 277 (10 percent) complaints took over 90 days to complete, and 60 (2 percent) completed took more than 6 months to complete for the 2 years reviewed. Department procedures generally require complaint investigations to be completed within 30 days.

Monitoring procedures not always followed

This situation has occurred, in part, because supervisors have not always directly monitored the status of complaint investigations. Instead, some district supervisors had staff track their own complaints, and then supervisors reviewed the staff's monitoring on a periodic basis. In addition, central office personnel have not required field staff to notify them that complaints are more than 6 months old.

SCCR's Licensing Procedural Manual requires district supervisors to monitor the status of all complaint investigations assigned to staff, and to notify central office about any complaint investigations that are not completed within 6 months.

Central office officials told us they had not required field staff to notify them when complaints are more than 6 months old because central office staff could review open complaints on the system. However, officials have not determined the status of open complaints on the system on a periodic basis. Therefore, officials have not always monitored the status of open complaints and were not aware of untimely complaints in the system.

Improvements Needed in Legal Referral Process

Our review of 92 cases referred to the department's legal office disclosed that the department took action on the majority of those cases. However, we found some cases had not been resolved in a timely manner. This situation occurred, in part, because officials did not include written goals in the SCCR procedures manual for the timeliness of each step of the administrative penalty process. As a result, some providers continued to operate with no disciplinary action, and officials were unable to take action on two cases they felt warranted action.

Administrative penalties assessed on majority of cases

Our review of 92 cases, referred to the legal coordinator in the 2-year period reviewed, disclosed 55 of the cases (60 percent) received some type of penalty. Examples of administrative penalties included:

- 24 cases where providers lost licenses, either through immediate suspension, revocation, or denial of renewal applications
- 14 cases, where SCCR issued either a letter of warning or a letter of censure
- 8 cases where providers were placed on probation
- 4 cases where personnel referred the cases to prosecuting attorneys
- 5 cases where the department and provider reached a settlement agreement

In 5 of the 92 cases (6 percent), legal counsel decided no administrative penalties could be assessed, due primarily to lapse of time or insufficient evidence. In 11 cases (12 percent), the provider voluntarily closed or

Many cases took more than 6 months to complete

became compliant. Of the 92 cases, 21 (23 percent) were still pending as of September 17, 2007.

Our review of cases referred to legal staff disclosed 29 percent of the completed or pending cases took more than 6 months to complete, (19 of 65 cases). As a result, some providers have continued to care for children during that timeframe. For example:

- Since 1987, SCCR has received 16 complaints alleging one provider has provided illegal care to more than 4 unrelated children. Five of the complaints were filed between April 2006 and July 2007. Since June 2003, SCCR staff have submitted referral information to central office four times, requesting the local prosecuting attorney be notified. However, there is no record that central office staff referred the provider to the local prosecutor. Central office staff did not know why action had not been taken in 2003 and 2004. In November 2006, district staff referred the case once again. However, prior to August 2007, central office staff did not have any record of the November 2006 referral. District office staff referred the case for the fourth time in August 2007. In discussing this case, central office staff told us they plan to refer this case to the prosecuting attorney.
- District office staff referred a case to central office in October 2006, requesting that a provider's license be revoked for providing care to more children than allowed by license. Without revocation, the license would be in effect until the end of 2007. In November 2006, central office and district office staff discussed some of the details of the referral. In June 2007, central office staff rewrote the legal referral because they decided the original referral was incoherent, insufficiently constructed, and did not contain all needed documentation. Legal counsel reviewed the file in late June 2007, and requested staff visit the facility again, and provide additional documentation to support the revocation. In August 2007, SCCR became aware of a possible child abuse scenario involving the provider, and referred the case to the Department of Social Services for investigation. As of September 2007, legal counsel was still waiting on additional information, including the outcome of the abuse investigation. This provider continued to hold a license.
- District office staff referred a third provider to central office in May 2006, requesting revocation because the provider (1) operated for a period of time with no electricity, phone, or water; (2) failed to cooperate with SCCR; and (3) had a prior history of fraud. No action was taken against the provider at that time. District office staff

completed a second referral in January 2007, because of continuing violations at this facility. District office personnel prepared and mailed a letter of revocation in April 2007. The provider did not appeal the revocation, which became final in May 2007, more than a year after the initial referral.

In two additional cases, lack of timeliness resulted in SCCR officials being unable to assess a penalty. Officials planned to either place these two providers on probation or issue letters of censure. However, because it had been 8 months since the infractions took place, officials decided that it would not be appropriate to administer penalties. Therefore, staff closed the cases with no action taken.

Our review of SCCR procedures and discussions with officials disclosed that no written goals have been established for the timeliness of each step of the administrative penalty process.

Conclusions

Improvements are needed in DHSS's monitoring of complaints. Officials could make the system more effective and useful to department officials by ensuring personnel enter required complaint data in the data system in a complete and accurate manner. Officials should also determine what type of management reports would be useful as management tools to help officials oversee and improve complaint processing and results and ensure the reports are produced on a periodic basis. Officials should also require personnel follow procedures in monitoring complaints to better ensure complaints are completed in a timely manner.

Officials should also take action to improve the legal referral process by establishing timeliness goals for staff to follow.

Recommendations

We recommend the Director of the Department of Health and Senior Services:

- 3.1 Establish procedures to monitor completeness and accuracy of complaint data entered on the department's complaint system.
- 3.2 Monitor complaint investigations and other complaint data by developing and preparing periodic management reports.
- 3.3 Ensure enhanced timeliness of complaint resolutions by ensuring complaint monitoring procedures are followed.
- 3.4 Establish guidance for timeliness of penalty assessment cases and ensure that these cases are completed in a timely manner.

Agency Comments

- 3.1 *DHSS concurs with this recommendation. SCCR began monitoring complaint data on a routine basis in September 2007. SCCR will develop procedures to improve its ability to monitor the accuracy and completeness of complaint data.*
- 3.2 *DHSS concurs with this recommendation. SCCR began monitoring complaint data on a routine basis in September 2007. SCCR will develop management reports to better monitor complaint investigations and other complaint data.*
- 3.3 *DHSS concurs with this recommendation. SCCR will review timeframes for completing complaint investigations and procedural changes will be made as needed. SCCR management staff will review expectations for complaint monitoring with all supervisory staff.*
- 3.4 *DHSS concurs with this recommendation. DHSS is committed to administering discipline in a fair, expeditious and consistent manner, and agrees that guidance for timeliness of penalty assessment cases should be in place. To that end, SCCR will evaluate the variety of factors that influence how quickly a legal referral can be processed and make any necessary operational changes to increase timeliness of penalty assessments. In addition, DHSS Office of General Counsel is collaborating with SCCR to enhance the legal referral process.*

Administrative Penalties

State law authorizes SCCR to assess the following administrative penalties, as shown in Table I.1:

Table I.1: Administrative Penalties Authorized by State Law

Type of Penalty	Description
Letter of Warning	Notifies licensee that violations have occurred and must not re-occur. Filed in the licensee's public record, and removed after one year if there are no reoccurrences of the violation(s) that caused the letter of warning.
Letter of Censure	Notifies licensee that violations have occurred and must not re-occur. Filed permanently in the licensee's public record.
Probationary License	Places conditions or terms on a license that are for a specific period of time, and may exceed licensing rule requirements. May lead to further discipline of the license if the licensee fails to comply with the terms of the probationary license.
Immediate Suspension of License	The only action taken by SCCR that immediately terminates the licensed status. Occurs only in situations of imminent bodily harm to children, and always occurs simultaneously with a secondary action to suspend or revoke the license. Continues in effect even during the licensee's appeal process to DHSS.
Suspension	Action taken by SCCR to cease licensed status for serious statute/rule violations. Does not require subsequent revocation or non-renewal of a license, but can precede these actions or occur simultaneously with immediate suspension. Involves serious, unresolved rule violations that do not rise to the level of imminent bodily harm to children, for example, fraudulent financial reports to government agencies.
Denial of License	Action taken when an applicant for initial license, or a licensee, does not comply with statute and licensing rules requirements.
Revocation of License	Action taken when a licensee (1) has seriously failed to protect children in care, (2) does not make required corrections for recurring and/or serious rule violations, and (3) demonstrates disregard for state law or rules.
Settlement Agreement	Requires violations to be of a serious enough nature that the license could be revoked or denied. May be proposed by SCCR, licensee, or licensee's attorney, and may be used to encourage settlements of disputes in lieu of an Administrative Hearing Committee hearing.
Referral to Prosecuting Attorney	Action taken when there is documented evidence of statute violation for care of more than four children not related to the caregiver without a license after the caregiver has been notified at least once that a license is required.
Injunctive Relief	Based on imminent bodily harm to children. A court order that causes a person to cease operating a child care facility or imposes conditions to protect children from imminent danger who are in care at the facility.

Source: Section 210.245 and 621.045, RSMo and SCCR's Licensing Procedural Manual.



Susan Montee, CPA
Missouri State Auditor

Greene County Fire Protection Districts

Year Ended December 31, 2006



January 2008

Report No. 2008-02

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Office of
Missouri State Auditor
Susan Montee, CPA

January 2008

IMPORTANT: A review of audits of fire protection districts in Greene County has been completed. This review covered reports for the year(s) ended December 31, 2006 that were required to be submitted to the State Auditor's office within six months after the year end. Additionally, some districts' audit reports that had not been submitted during our previous review were included in this review.

State law requires Greene County fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed. For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. At December 31, 2006 there were twelve fire protection districts in Greene County.

The State Auditor's Office accepted all seven audit reports that were received for the year(s) ended December 31, 2006. However, instances of non-compliance including the lack of district responses to recommendations, the lack of follow-up to previous recommendations, and the lack of required report schedules were still noted.

The Fair Grove Fire Protection District failed to comply with Section 321.690, RSMo by not submitting an audit report to the State Auditor's Office for the years ended December 31, 2006 and 2005. As a result, their information is not presented in this report. Similar noncompliance has been reported for this district in previous years.

The timeliness of reporting has improved during the last year, with only one of the seven reports received for the year(s) ended December 31, 2006 failing to comply with the statutory deadline. However, noncompliance was still noted from 2005. For example, the Ash Grove and Bois D' Arc Fire Protection Districts (identified in our prior report as failing to comply with Section 321.690) did not submit audit reports for the years ended December 31, 2005 and 2004 until April 2007 and November 2007, respectively. While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district.

This report includes information about the districts' revenues, expenditures, and balances, capital assets, assessed valuations, and tax levies. A summary of comments made by the various districts' independent auditors included concerns regarding conflicts of interest, expenditures, budgets, compliance with laws and regulations, and accounting procedures.

All reports are available on our Web site: www.auditor.mo.gov

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in Greene County


Fire protection districts in Greene County are required by Section 321.690, RSMo, to be audited. We have conducted a review of these independent audits of the fire protection districts in Greene County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and the State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.
3. Summarize and evaluate the financial data presented for the various fire districts and any comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report. The work for this review was substantially completed by December 2007.

The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report includes an executive summary and a scope and methodology section describing what work was performed. We solicit from the readers of this report any suggestions for changes or requests for other new information that may benefit those involved with the Greene County fire protection districts.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
Staff Auditors:	Candace Copley
	Natalie McNish

EXECUTIVE SUMMARY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY
EXECUTIVE SUMMARY

Section 321.690, RSMo, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement, if the appropriate reports are filed.

The Fair Grove Fire Protection District failed to comply with state law and did not file an audit report for the years ended December 31, 2006 and 2005. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. Similar noncompliance has been reported for the Fair Grove Fire Protection District in previous years.

While the West Republic Fire Protection District had previously been exempt from the audit requirement, based upon financial statements filed, the district had annual revenues of more than \$50,000 during the year ending December 31, 2006. An engagement letter was submitted by the district indicating an audit of the two years ended December 2006 would be performed; however, an audit report for this time period has not been submitted. Information presented in this report was obtained from unaudited information provided by this district. The West Republic Fire Protection District should continue to monitor annual revenues to ensure compliance with state law.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all seven audit reports that were received for the year(s) ended December 31, 2006. However, instances of noncompliance including the lack of district responses to recommendations, the lack of follow up to previous recommendations, and the lack of required report schedules were still noted. These problems were communicated to the applicable fire protection district auditors. In addition, five districts did not submit copies of engagement letters to the state auditor as required by 15 CSR40-4.010.

The timeliness of reporting has improved during the last year. One of the seven reports for the year(s) ended December 31, 2006, failed to comply with the statutory deadline and non-compliance was still noted from 2005.

While not only required by statute, timely audits also provide information to the board and district taxpayers on the financial status of the district and ways to improve the management of the district. The fire district board members should ensure audits are completed and submitted by statutory deadline.

We reviewed the relationship of the General Fund balance at year end to the year's expenditures for the districts receiving an audit for each of the year(s) ended December 31, 2006. The fund balances of three districts, Battlefield, Walnut Grove, and Willard have increased by nearly 20 percent or more during the last two years. Additionally, three districts, Battlefield, Strafford, and Willard, have maintained fund balances greater than one year's cost of operations. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated. Districts accumulating funds for the purchase of capital assets or debt reduction should evaluate the need to disclose this information in their annual budget. Expenditures exceeded revenues during 2006 for the Logan-Rogersville Fire Protection District, resulting in a significant decrease in the reported cash balance. The increase in expenditures was mostly caused by an increase in debt service principal and interest payments between 2005 and 2006. Revenues and expenditures of the Brookline Fire Protection District were significantly higher during 2006 with the inclusion of the receipt and disbursement of lease proceeds.

The fire protection districts are continuing to add to their capital structure in land, buildings and equipment each year. While gross capital asset balances continue to increase, more districts are recording depreciation amounts for these capital asset values. The Ebenezer Fire Protection District's assets increased more than the other districts with the addition of approximately \$960,000 in furniture and equipment.

Assessed valuations for the districts also continue to increase. Tax rates remained steady from 2005 to 2006 with only one voter approved levy increase. In August 2006 voters of the Logan-Rogersville Fire Protection District approved an increase in their tax levy to provide additional revenues to the district.

Independent auditors made specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding expenditures, budgets, segregation of duties, accounting records and various other policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

SCOPE AND METHODOLOGY

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY
SCOPE AND METHODOLOGY

Scope

At December 31, 2006, there were twelve fire protection districts in Greene County. Some districts' audit reports that had not been submitted during our previous review were included in this review. Audit reports and financial statements have been received as follows:

1. Ebenezer and Walnut Grove Fire Protection Districts submitted an annual audit for each of the years ended December 31, 2006 and 2005. The Strafford Fire Protection District submitted an annual audit for year ended December 31, 2006. The Battlefield, Brookline, Logan-Rogersville and Willard Fire Protection Districts submitted biennial audits for the two years ended December 31, 2006.
2. Our prior report identified the Ash Grove and Bois D' Arc Fire Protection Districts as failing to comply with Section 321.690 because reports for 2005 and 2004 had not been submitted. The Ash Grove Fire Protection District submitted a biennial audit for the two years ended December 31, 2005 on April 13, 2007, and the Bois D' Arc Fire Protection District submitted an annual audit for each of the years ended December 31, 2005, and 2004 on November 26, 2007. The Pleasant View Fire Protection District obtained an annual audit for the year ended December 31, 2005. The Ash Grove and Pleasant View Fire Protection Districts provided written confirmation of their plans to obtain biennial audits for the two years ended December 31, 2007. The Bois D' Arc Fire Protection District provided written confirmation of their plans to obtain an annual audit for the year ended December 31, 2006; however, an audit report has not been completed and submitted for this time period. No information is presented in this report for the year ended December 31, 2006 for these three districts.
3. The Fair Grove Fire Protection District has failed to comply with Section 321.690, RSMo, and has not submitted audit reports for the years ended December 31, 2006 and 2005. While district officials provided an audit engagement letter indicating an auditor has been engaged to audit these years, a report has not been completed and submitted. As identified in our prior report, the Fair Grove Fire Protection District also did not comply with the statutory deadline when submitting their audit for the two years ended December 31, 2004. Information is not presented in this report for the Fair Grove Fire Protection District.
4. Financial statements filed for the West Republic Fire Protection District for the year ended December 31, 2006 reflected annual revenues in excess of \$50,000. The West Republic Fire Protection District provided written confirmation of their plan to obtain an audit for two years ended December 31, 2006; however, an audit report has not been submitted. Based upon financial statements filed, the West Republic Fire Protection District had annual revenues of less than \$50,000 during the year ending December 31, 2005, therefore they were exempted from the audit requirement for 2005. Information

presented in this report was obtained from unaudited information provided by this district.

During our review we: 1) considered Section 321.690, RSMo (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire districts for the year(s) ended December 31, 2006 and 2005, 2) reviewed the supporting working papers of various independent auditors' reports for the year(s) ended December 31, 2006, 3) reviewed unaudited financial information provided by the West Republic Fire Protection District and 4) made inquiries of district officials and independent auditors as necessary to follow up on other specific issues brought to our attention.

Methodology

We compiled the following schedules to accomplish the objectives of this report:

- Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format. The General Fund is the general operating fund of the district and is used to account for all operating resources. In analyzing this schedule, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are as follows. The financial statements of the Ash Grove, Brookline, and Pleasant View Fire Protection Districts are presented on the accrual basis of accounting, and the financial statements of the Battlefield, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements of the Bois D'Arc and Ebenezer Fire Protection Districts are presented on a modified cash basis of accounting, and the Logan-Rogersville, Walnut Grove and West Republic Fire Protection Districts are presented on a cash basis of accounting. The audit report footnotes of these various districts describe the basis of accounting used to present the financial statement information.
- Schedule 2 presents the capital asset balances of the districts at December 31, 2006 and 2005. The schedule represents capital assets acquired or constructed for general governmental purposes that are reported as expenditures in the fund that financed the acquisition or construction and capitalized at historical cost or estimated historical cost if actual historical cost is not available.
- Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies for the years ended December 31, 2006 and 2005.
- Schedule 4 is a listing of total compensation and expense reimbursement paid to directors by each district audited. The districts' independent audit reports included the names of the principal officeholders and the compensation and expense reimbursement received by each official in the performance of his or her duty as established by Section 321.190, RSMo.
- Schedule 5 is a summary of the various comments contained in the independent auditor's reports on compliance and internal control and in the management letters received by the

State Auditor. These comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the reports and management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Limitations

Some data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and were not verified by us via additional audit procedures. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND BALANCES

District	Year Ended December 31,								
	2005					2006			
	Beginning Balance	Adjustment	Revenues	Expenditures	Ending Balance	Adjustment	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 218,031		101,283	66,177	253,137				*
Battlefield	1,797,767		1,485,061	1,176,604	2,106,224		1,583,601	1,406,951	2,282,874
Bois D'Arc	73,884		74,934	65,733	83,085				**
Brookline	275,288		225,510	203,717	297,081		832,084	826,767	302,398
Ebenezer****	181,592	92,953	249,494	241,209	282,830	64,452	254,215	258,146	343,351
Fair Grove	69,919				***				***
Logan-Rogersville*****	667,408	(632,429)	801,525	737,926	98,578		707,937	788,551	17,964
Pleasant View	371,793		107,032	95,410	383,415				*
Strafford	255,135		296,596	298,120	253,611		304,552	275,174	282,989
Walnut Grove	204,083		99,767	61,574	242,276		100,140	94,599	247,817
West Republic	10,260		49,418	58,372	1,306		59,433	47,811	12,928
Willard	424,734		463,217	375,991	511,960		292,733	301,281	503,412
	\$ 4,549,894	(539,476)	3,953,837	3,380,833	4,583,422	64,452	4,134,695	3,999,280	4,783,289

* District plans to obtain an audit for the two years ended December 31, 2007.

** District has engaged auditor to audit the year ending December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.

*** District has not submitted an audit report to the State Auditor's Office.

**** To restate fund balance to actual. Auditor did not express an opinion on the 2005 financial statements.

***** To adjust to cash basis financial statements.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
COMPARATIVE SCHEDULE OF CAPITAL ASSETS

District	December 31, 2005				December 31, 2006			
	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total	Land and Buildings	Furniture and Equipment	Less Accumulated Depreciation	Total
Ash Grove	\$ 86,808	435,107	125,647	396,268				*
Battlefield	3,199,187	1,991,255	900,638	4,289,804	3,200,892	2,134,887	1,051,941	4,283,838
Bois D'Arc	77,883	206,785	150,832	133,836				**
Brookline	201,735	945,130	387,249	759,616	201,735	1,164,798	443,750	922,783
Ebenezer	342,829	442,991	378,640	407,180	342,829	1,404,926	401,643	1,346,112
Fair Grove				***				***
Logan-Rogersville	997,282	2,260,351	****	3,257,633	997,282	2,351,086	****	3,348,368
Pleasant View	85,719	489,572	154,188	421,103				*
Strafford	349,405	783,284	603,368	529,321	349,907	1,163,570	724,061	789,416
Walnut Grove	369,156	219,780	210,939	377,997	344,856	207,780	202,725	349,911
Willard	317,590	1,207,292	1,033,241	491,641	317,590	1,250,549	1,093,192	474,947
	<u>\$ 6,027,594</u>	<u>8,981,547</u>	<u>3,944,742</u>	<u>11,064,399</u>	<u>5,755,091</u>	<u>9,677,596</u>	<u>3,917,312</u>	<u>11,515,375</u>

* District plans to obtain an audit for the two years ended December 31, 2007.

** District has engaged auditor to audit the year ending December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.

*** District has not submitted an audit report to the State Auditor's Office

**** District presents assets on a cash basis reporting disbursements when cash is expended in 2005, depreciation is not expensed.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
COMPARATIVE SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES

District			Tax Levy per \$100 of Assessed Valuation	
	Assessed Valuations		General	
	2006	2005	2006	2005
Ash Grove	22,372,679	21,719,181	0.2568	0.2568
Battlefield	444,950,162	411,446,469	0.3390	0.3390
Bois D'arc	20,849,891	20,095,789	0.3783	0.3783
Brookline	83,877,329	80,926,033	0.2535	0.2535
Ebenezer	95,620,115	90,622,148	0.2783	0.2783
Fair Grove	56,513,392	53,950,580	0.1753	0.1753
Logan-Rogersville*	316,026,086	301,527,815	0.3657	0.2466
Pleasant View	27,976,710	27,123,700	0.3000	0.3000
Strafford	111,866,344	100,837,748	0.2448	0.2448
Walnut Grove	33,444,102	32,099,457	0.2924	0.2924
West Republic	22,438,678	21,797,773	0.2518	0.2518
Willard	119,287,212	112,414,933	0.2502	0.2502

* Voter approved tax levy increase in 2006

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS OF GREENE COUNTY
SCHEDULE OF COMPENSATION AND EXPENSE REIMBURSEMENT PAID TO DIRECTORS BY DISTRICT

District	2005	2006
Ash Grove	0	*
Battlefield	5,750	5,567
Bois D'Arc	****	**
Brookline*****	84	0
Ebenezer	****	****
Fair Grove	***	***
Logan-Rogersville	4,350	5,850
Pleasant View	188	*
Strafford*****	5,012	4,500
Walnut Grove*****	1,209	0
Willard*****	47	0

* The district plans to obtain an audit for the two years ended December 31, 2007

** The district has engaged auditor to audit the year ended December 31, 2006, but audit report not complete and submitted to the State Auditor's Office.

*** The district has not submitted an audit report to the State Auditor's Office.

**** The audit report did not include a schedule of compensation and expense reimbursement to directors.

***** Includes expense reimbursements

Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR(S) ENDED DECEMBER 31, 2006

Conflicts of Interest

- One district did not adequately document related party transactions.

Expenditures/Purchasing

- It was recommended that one district establish a method of tracking maintenance costs by specific vehicle.
- Better control of invoices were recommended in one district to monitor for sales tax and to ensure purchases benefit the district. Additionally, invoices were not filed in an easily accessible manner and did not properly document payment.
- One district failed to include some amounts on 1099's, and two volunteers were not issued 1099's that should have been.

Payroll

- One district failed to retain copies of its quarterly payroll tax returns as well as W-2's and 1099's.
- One district omitted the fire chief and three additional employees' payroll related checks from the district's payroll reporting system resulting in an understatement of wages and underpayment of related payroll taxes.

Budgets

- Expenditures exceeded appropriations in two districts.
- The budget did not include revenues in one district.
- Three districts' budgets did not contain all of the required components as specified by Chapter 67 RSMo.

Compliance with Laws and Regulations.

- One district did not obtain a vote of the public when entering into long-term debt.

- One district failed to obtain proper collateral to cover account balances that exceeded the FDIC insurance limits. This oversight was corrected in February 2007.
- One district approved raising compensation for newly elected board members from \$75 per meeting to \$100 per meeting and placing the \$25 increase in a board member discretionary account. This did not appear to be in compliance with state statute.

Accounting Records and Procedures

- A lack of segregation of duties was noted in five districts.
- In one district, the cash account reconciliation procedures need improvement.
- One district did not have an anti-fraud program or ethics policy in place.
- One district did not have staff with sufficient expertise needed to properly apply accounting principles generally accepted in the United States requiring audit adjustments.
- One district did not maintain the bank accounts under the proper name and identification number. Also, the checking account did not require two signatures.
- Revenues were not clearly identified in one district.
- Acquisition and disposal of capital assets were not documented in one district.

APPENDICES

Missouri Revised Statutes

**Chapter 321
Fire Protection Districts
Section 321.690**

Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346, A.L. 1998 H.B. 1847)

**Rules of
Elected Officials
Division 40—State Auditor
Chapter 4—Audits of Fire Protection Districts
in St. Louis and Greene Counties**

Title	Page
15 CSR 40-4.010 Requirements for Districts	3
15 CSR 40-4.020 Standards for Auditing and Financial Reporting	3
15 CSR 40-4.030 Contents of Audit Reports	3
15 CSR 40-4.040 Scope of Audit	4

Title 15—ELECTED OFFICIALS**Division 40—State Auditor
Chapter 4—Audits of Fire Protection
Districts in St. Louis and Greene
Counties****15 CSR 40-4.010 Requirements for Dis-
tricts**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.020 Standards for Auditing
and Financial Reporting**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.030 Contents of Audit
Reports**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;
(B) A report on the financial statements;
(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*



Susan Montee, CPA
Missouri State Auditor

PUBLIC SAFETY

Fireworks Licensing and Inspection



January 2008

Report No. 2008-01

auditor.mo.gov



Additional Resources and Other Changes Would Benefit the Fireworks Program

The Division of Fire Safety (DFS) has the responsibility for permitting and inspecting fireworks businesses and displays and licensing fireworks display operators. The audit objectives included (1) evaluating the fireworks program funding and the division's management and oversight of the program, (2) evaluating the permitting, licensing, and inspection processes and procedures and (3) analyzing state law and regulations and any potential changes needed.

No change in core budget funding for the fireworks program	DFS has not received additional core budget funding for implementation of the fireworks law responsibilities since program inception. The division has absorbed all personnel time and expenses associated with administering the fireworks program from the existing staff and core budget. (See page 10)
Penalties rare for noncompliance	DFS staff did not often revoke permits and licenses or report violators to law enforcement. State law establishes civil or criminal penalties for fireworks business owners operating without appropriate permits or noncompliance. DFS officials said violations not pertaining to illegal fireworks are generally not submitted to the local prosecuting attorney because many types of violations would not be severe enough to warrant prosecution because the cost of enforcement exceeds the penalties. (See page 13)
Limited procedures to identify non-permitted activities	DFS has established limited procedures to periodically search for non-permitted fireworks activities. We found possible non-permitted fireworks businesses and displays. Nebraska and Tennessee report state permitted fireworks businesses and/or operators on a state Web site to assist local jurisdictions and the public in identifying businesses not permitted. A DFS official said DFS does not have the resources necessary to proactively identify fireworks businesses, operators, or displays operating without a permit. The official also said the short seasonal timeframes impact the identification process. (See page 13)
Inspection process needs improvement	Inspections performed are not based on a risk basis or rotational cycle. Eighty percent of the cities in calendar years 2005 and 2006 and 63 percent of the cities in calendar years 2005, 2006, and 2007 had one or no seasonal retailers inspected. Inspections of distributors, jobbers, and wholesalers are not frequently performed. In 2007, DFS staff re-inspected only about 50 percent of businesses with inspection violations. DFS officials said staffing limitations and the short seasonal timeframe prevent seasonal retailers from being inspected annually. (See page 18)
Different compliance standards for local jurisdictions	State law is inconsistent as local jurisdictions are not required to comply with the same minimum fireworks requirements as DFS when either permitting or inspecting displays, proximate fireworks displays, or seasonal retailers. (See page 21)

Operator licensing needs improvement	Analysis of the division's operator licensing processes identified (1) validation of a federal license had been obtained prior to state licensing did not always occur, (2) state law needs to be clarified to allow DFS to perform complete background checks, and (3) some state regulations need clarification. During our review, we found licensed operators who do not possess a federal license or permit. (See page 23)
Other law changes	Missouri fireworks law does not include some requirements other states have found beneficial for their fireworks programs. Arkansas requires fireworks distributors, jobbers, and wholesalers and Georgia requires manufacturers to furnish proof of financial responsibility to ensure the business would have coverage if an accident occurred. Alabama, Arkansas and Tennessee require certain fireworks permit holders to maintain accurate records of sale, shipment or purchases or allow the State Fire Marshal access to these records. (See page 26)

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Abbreviations

ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
CSR	Code of State Regulations
DFS	Division of Fire Safety
DIFP	Department of Insurance, Financial Institutions and Professional Registration
DOR	Department of Revenue
DPS	Department of Public Safety
FEL	Federal Explosive License
MSHP	Missouri State Highway Patrol
NFPA	National Fire Protection Association
RSMo	Missouri Revised Statutes
OA	Office of Administration
SAO	State Auditor's Office



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Michael Keathley, Commissioner
Office of Administration
and
Mark James, Director
Department of Public Safety
Jefferson City, MO

The Department of Public Safety, Division of Fire Safety (DFS) has the responsibility for permitting and inspecting fireworks businesses and displays and licensing fireworks display operators. Our audit objectives included (1) evaluating the fireworks program funding and the division's management and oversight of the program; (2) evaluating the permitting, licensing, and inspection processes and procedures; and (3) analyzing state law and regulations and any potential changes needed.

DFS has not received budget funding for implementation of its fireworks program. Budget requests have been unsuccessful, but options exist to provide possible funding. In addition, management procedures limit (1) sanctions or penalties imposed for permit recipients not complying with law and regulations, and (2) identification of non-permitted businesses.

Improvements to the state's inspection, permitting and licensing processes and changes to state law and regulations are needed. These areas need improvement because (1) DFS does not perform inspections on a risk and/or rotational basis, (2) state law allows local jurisdictions to set minimum compliance standards that are different than DFS standards, (3) licensing procedures have not ensured operators meet compliance requirements, (4) display and proximate fireworks display regulations lack key guidance requirements, (5) permit applications lack some information needed to determine eligibility, and (6) state law does not include some requirements other states have found beneficial for their fireworks programs.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis. This report was prepared under the direction of John Blattel. Key contributors to this report included Jon Halwes, Amanda Locke, and Edward Morgan.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Division of Fire Safety (DFS) under the direction of the State Fire Marshal is responsible for the oversight and management of several programs, including fire safety inspections, fire investigations, fireworks licensing and inspection, fire fighter training and certification, national fire incident reporting, boiler and pressure vessel inspections, elevator safety, amusement ride safety, private fire investigator licensing, and blaster licensing.

DFS's Investigation Unit is responsible for permitting all fireworks businesses, licensing operators, inspecting businesses where fireworks are stored, manufactured, kept or being offered for sale, and investigating the fireworks industry in Missouri. DFS and/or local fire service authorities are responsible for permitting and inspecting display or proximate fireworks displays in the state.

State Fireworks Law and Regulations

The General Assembly enacted the statewide fireworks licensing and inspection law¹ in 1985. The law requires DFS to permit fireworks manufacturers, distributors, wholesalers, jobbers, and seasonal retailers. The law also grants the DFS the authority to inspect and investigate those businesses. The General Assembly amended the law in 2004 requiring proximate fireworks displays be permitted, defining display fireworks, as well as requiring the licensing of operators. The types and the respective descriptions of each of the required permits and licenses include:

Manufacturer

Any person engaged in the business of making fireworks of any kind in Missouri.

Distributor

Any person engaged in the business of selling fireworks to wholesalers, jobbers, seasonal retailers, or others that possess the necessary permits, including any person that imports any fireworks of any kind in any manner into Missouri.

Wholesaler

Any person engaged in the business of making sales of consumer fireworks to any other person engaged in the business of making sales of consumer fireworks at retail within the state.

¹ Section 320.106 - 320.161, RSMo.

Jobber

Any person engaged in the business of making sales of consumer fireworks at wholesale or retail within Missouri to non-licensed buyers for use and distribution outside Missouri during a calendar year or at retail to consumers during the fireworks season.²

Seasonal retailer

Any person within Missouri engaged in the business of making retail sales of consumer fireworks in Missouri only during the fireworks season.

Proximate fireworks displays

A presentation of indoor fireworks shows or outdoor fireworks shows with a closer proximity to the audience than fireworks displays for a public or private gathering, such as those at theaters, sporting events, and concerts.

Fireworks displays

A presentation of outdoor fireworks shows for a public or private gathering, such as those during the Fourth of July.

Operator

Any person responsible for shooting pyrotechnic fireworks at a display or proximate fireworks display. There are two types of operators (1) a licensed operator or any person who supervises, manages, or directs the discharge of outdoor display fireworks, either by manual or electrical means and (2) a pyrotechnic operator or any person responsible for pyrotechnic safety and who controls, initiates, or otherwise creates special effects for proximate fireworks.

All permits except for seasonal retailers shall be for the calendar year or any fraction thereof and shall expire at the end December of each year. Seasonal retailer permits are valid for the fireworks season timeframes. Operator licenses are issued for 3 years.

Fireworks program
funding

Prior to 2004, state law³ required revenue generated from fireworks permit and license fees be deposited in the General Revenue Fund. In 2004, the General Assembly amended state law by requiring all fireworks permit and license fees be deposited in the Fire Education Fund.

² Fireworks season is the period of June 20 through July 10 and December 20 through January 2 of the next year. The fireworks season is approximately 15 working days.

³ Section 320.111, RSMo.

Fire Education Fund State law requires revenue deposited in the Fire Education Fund be used by DFS to coordinate training and continuing education for Missouri firefighters relating to fire department operations and the personal safety of firefighters while performing fire department activities.

Fee changes The General Assembly increased the permit fees of manufacturers, distributors, wholesalers, jobbers and seasonal retailers by \$25 each in 2004. Prior to 2004, the permit fees had not changed since 1985 except for the seasonal retailer permit fees. Seasonal retailer permit fees increased from \$10 in 1985, to \$25 in 1987 and to \$50 in 2004. The permit fee for a fireworks display increased by \$75 with the law change in 2004. The 2004 law change established operator and proximate fireworks display fees. Table 1.1 shows the permit and license fees, established in 2004, as well as the respective revenue generated from the fees for calendar year 2006.

Table 1.1: Permit and License Fees and Respective Revenue for Calendar Year 2006

Type of Permit/License	Fee	Number of permit/license issued for 2006	Total Revenue
Manufacturer	\$775	7	\$5,425
Distributor	775	50	38,750
Wholesaler	275	8	2,200
Jobber	525	72	37,800
Seasonal Retailer	50	1,361	68,050
Display Fireworks	100	14	1,400
Proximate Fireworks Display	100	2	200
Operators ¹	100	83	8,300
Total		1,597	\$162,125

¹The number of operators licensed is cyclical as the operator licenses are issued for 3 years. Operator licenses were initially issued in calendar year 2004 so the number of permits issued in 2006 is substantially less than prior years as 2005 had 576 operator licenses issued.

Source: SAO analysis based on fireworks permits and licenses issued by DFS.

Display, proximate fireworks display and operator requirements State law⁴ requires any display or proximate fireworks display to have a permit issued by either the State Fire Marshal or the local fire service authorities of the community where the display is to be held. The law requires an inspection of the display site prior to the discharge of display or proximate fireworks display and proof of financial responsibility from the applicant in an amount established by promulgated rule. All permits issued for display or proximate fireworks display by the local fire service authorities are to be forwarded to the State Fire Marshal's office by the permittee within 45 days of the display or upon request from the State Fire

⁴ Section 320.126, RSMo.

Marshal. The law requires any display to be supervised, managed, or directed by a Missouri licensed operator or pyrotechnic operator. To be licensed as an operator, law and regulations⁵ require an operator to complete pyrotechnic training courses, pass an exam administered by DFS, not have a felony conviction or have plead guilty to a felony, be federally licensed or permitted by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), actively participate in at least three displays of which at least one must have occurred in the current or preceding year and meet additional requirements established by the regulations.

Federal Regulations

The fireworks industry is regulated by federal law, in addition to state law. The United States Department of Justice ATF is responsible for licensing or permitting (1) manufacturers of consumer and display fireworks, (2) distributors of display fireworks, and (3) users of display fireworks. ATF issues a Federal Explosives License (FEL) to either individuals or businesses. If a FEL is issued for a business, then a listing of responsible persons and, if applicable, a listing of employee possessors is to be submitted to ATF. Responsible persons⁶ and employee possessors⁷ are able to perform duties, such as shoot fireworks, under a business's FEL. State law⁸ and/or regulations requires certain applicants to have obtained a federal license or permit prior to DFS staff issuing a manufacturer or distributor permit or an operator license.

Scope and Methodology

In conducting our review of the fireworks program, we interviewed officials and staff at the Department of Public Safety (DPS), DFS, Missouri State Highway Patrol (MSHP), Office of Administration (OA), Department of Revenue (DOR), Department of Insurance, Financial Institutions and Professional Registration (DIFP), and the federal ATF. We also reviewed policies, procedures, state law, regulations and other applicable information.

To evaluate Missouri's law and regulations, we compared them to the laws and regulations in 12 other states (Alabama, Arkansas, Colorado, Georgia, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Oklahoma, Tennessee, and Wisconsin). We contacted fire safety officials in Arkansas, Nebraska, Oklahoma, Georgia and Tennessee to validate certain information obtained from reviewing the law.

⁵ Section 320.106, RSMo and 11 CSR 40-3.010.

⁶ ATF defines a responsible person as an individual who has the power to direct the applicant's management and policies pertaining to explosive materials.

⁷ ATF defines an employee possessor as an individual who has the actual or constructive possession of explosive materials during the course of his/her employment.

⁸ Section 320.111, RSMo.

To evaluate the costs associated with administering the fireworks licensing and inspection program, we reviewed Senate Bill 1196 (2004) and its related fiscal notes, and division new decision budget item requests for fiscal years 2004, 2006, 2007, 2008, and 2009. We also obtained an analysis performed by DFS to determine the estimated percentage of personnel costs associated with administering the fireworks program. We obtained DFS's fireworks expenditure data for fiscal year 2006 from the statewide accounting system. We compared the permit fees established in the other 12 states to the fees assessed in Missouri.

To evaluate potential funding for the Fire Education Fund from insurance company premium taxes, we reviewed the calculation performed by OA, applicable state law⁹ and interviewed officials at OA, DIFP, and DOR.

We obtained DFS's permit databases of manufacturers, distributors, wholesalers, jobbers, seasonal retailers, displays or proximate fireworks displays for calendar years 2005 and 2006 as of June 2007 and calendar year 2007 as of August 2007. We obtained the inspection violations maintained in the permit database for calendar year 2006 as of July 2007. We obtained DFS's license database of operators as of July 2007. To verify completeness, we reviewed the data to ensure all types of permit and license classifications had been included in the data we received.¹⁰

To determine whether controls to ensure fireworks businesses operating in the state are permitted, we performed Internet searches, obtained a listing of businesses that had registered and/or paid local sales tax in calendar year 2006 from the DOR, and identified known fireworks businesses or displays. We compared our results to businesses and displays listed in DFS's permit database. For displays or proximate fireworks displays, we also compared our results to those permitted by the local fire service authorities based on the permits DFS had received from the permittee or local fire service authorities. We provided the results to a DFS official for review and analysis as of September 2007.

To evaluate controls to permit or license a fireworks applicant, we judgmentally selected 50 records comprised of permitted businesses, displays, proximate fireworks displays, and licensed operators in both

⁹ Section 148.310 to 148.461, RSMo, and Section 375.916, RSMo.

¹⁰ SAO obtained the hard copies of the inspections performed by DFS during the seasonal retail timeframe and manually entered the results into the permit database by permittee. A DFS official indicated the inspections are not entered into the permit database until the winter months, which was after fieldwork would be complete.

calendar years 2006 and 2007 from the data in the permit and license databases. We evaluated whether required documentation per the law and regulations had been maintained by DFS to support the permit, license and/or inspection.

To evaluate DFS's inspection processes and procedures, we observed DFS staff conduct site inspections of three different seasonal retailers and re-inspections of two of those retailers. To analyze the frequency permit recipients received an inspection, we summarized the total permitted locations and total inspections performed by city and by each calendar year. We provided the results to DFS officials for review as of October 2007.

To determine the processes and procedures performed by local jurisdictions when permitting and inspecting seasonal retailers, displays or proximate fireworks displays, we contacted fire safety officials in the cities of Branson, Holts Summit, Jefferson City and Springfield. We compared the processes and procedures performed by the local jurisdictions to those established by DFS.

We obtained a data file of the individuals who have a FEL, responsible person or an employee possessor permit as of June 2007 from ATF. We did not rely on data from ATF to draw overall conclusions so we did not perform specific procedures to determine data validity.

To determine whether the state licensed operators were federally licensed, if applicable, we matched records in DFS's licensed operator database against records from ATF. Our matches consisted of reviews based on first name and last name. If both names matched, we considered the match valid. For sixteen of the individuals who did not appear to be federally licensed, we submitted the records to ATF for evaluation. We provided the results to a DFS official as of October 2007.

To evaluate operator background histories, we submitted the 768 licensed operators per DFS's database as of July 12, 2007 to the MSHP for the patrol to perform an open records¹¹ check of the operators. We provided the results to DFS officials for review as of September 2007.

¹¹ According to the MSHP, open records are not inclusive of an individual's criminal history. An open record includes (1) arrest record for 30 days following arrest, (2) arrest record for which charges have been filed, (3) court disposition of guilty, and (4) suspended imposition of sentence during probationary period.

Additional Resources and Other Changes Would Benefit the Program

DFS has not received additional core budget funding for implementation of the fireworks law responsibilities since program inception. Budget requests have been unsuccessful, but options exist to provide possible funding. In addition, management procedures limit (1) sanctions or penalties imposed for permit recipients not complying with regulations, and (2) identification of non-permitted businesses.

No Change in Core Budget Funding for the Fireworks Program

DFS has not received additional funding per the division's core budget for personnel or expenses to support administering the fireworks program since program inception in 1985, including expanded responsibilities in 2004. DFS officials said the division has absorbed all personnel time and expenses associated with administering the program from the existing staff and core budget. A DFS official also said DFS has not received funding to support the administration of other programs, such as the private fire investigator program.

DFS has submitted the following fiscal year new decision budget item requests for funding its fireworks program, but has been unsuccessful:

- 2004 - one staff person to assist with fireworks program and other programs
- 2006 - fireworks program expenditures, excluding personnel costs

A fiscal year 2009 funding request has been made for two 1,000 hour employees to assist with administering the fireworks program and the private fire investigator program.

We requested DFS officials to estimate the costs incurred for administering the fireworks program. Table 2.1 shows the estimated expenditures for the fireworks program to be approximately \$77,731.

Table 2.1: Estimated Costs to Administer the Fireworks Program

Type of Expenditure	Amount
DFS Investigation Unit personnel	\$73,833
Other expenditures in fiscal year 2006 ¹	3,898
Total Expenditures	\$77,731

¹ The estimate may be understated as it does not take into account the travel expenditures incurred by the inspectors when performing a fireworks inspection or investigation.

Source: DFS.

Fees collected go to the Fire Education Fund

Since creation in 1998, the Fire Education Fund has not received any funding from insurance company premium taxes based on a funding formula outlined in state law.¹² In 2004, state law¹³ required the revenues from the fireworks permit and license fees be deposited to the Fire Education Fund. Prior to 2004, the revenues from fireworks permit and license fees went to the General Revenue Fund, but they were not earmarked for use by DFS.

An initial fiscal note for the 2004 legislation covering the program changes¹⁴ said the revenue generated from the fees would continue to be deposited to the General Revenue Fund. A DFS official said the division intended either the monies to be deposited to the General Revenue Fund with the funding being used to cover program costs or to a separate administrative fund for the same purpose. Subsequent fiscal notes initially split the funding between the General Revenue Fund and the Fire Education Fund with the final passed legislation sending it all to the Fire Education Fund. A DFS official said all fee revenue was allocated to the Fire Education Fund to supplement prior appropriation budget cuts in the General Revenue Fund for the fire fighter training and because the Fire Education Fund was receiving no funding under its statutory funding formula.

State law does not define distribution of retaliatory tax receipts

State law¹⁵ has not defined how retaliatory tax should be distributed which has led to inconsistency in its distribution and impacted potential distributions to the Fire Education Fund. A DIFP official said insurance company premium taxes (used in the Fire Education Fund distribution calculation) and retaliatory taxes are collected for the same purpose and would likely be distributed the same way. DIFP officials provide premium tax information and retaliatory tax information to the OA for calculation of the Fire Education Fund statutory funding and distribution of these taxes to schools and other funds.

¹² According to section 320.094, RSMo, beginning July 1, 1998, 3 percent of the amount of premium taxes collected in the immediately preceding fiscal year pursuant to sections 148.310 to 148.461, RSMo, which are deposited in the General Revenue Fund that exceeds the amount of premium taxes which were deposited in the General Revenue Fund in the 1997 fiscal year shall be transferred from the General Revenue Fund to the credit of the Fire Education Fund.

¹³ Section 320.111, RSMo.

¹⁴ SB 1196 Fiscal Note dated March 8, 2004.

¹⁵ Section 375.916, RSMo.

State law¹⁶ requires half of the premium insurance taxes be distributed to the school districts. The other half of the premium insurance taxes is distributed to the General Revenue Fund, of which a portion could be distributed to the Fire Education Fund based on a statutory funding formula. The Fire Education Fund calculation does not include retaliatory tax in the calculation, while the school distribution calculation includes both the premium tax and the retaliatory tax. State law¹⁷ for the Fire Education Fund distribution calculation does not specifically reference retaliatory tax and as a result, an OA staff said retaliatory tax revenues have not been included in the calculation. State law¹⁸ for retaliatory tax requires receipts of retaliatory tax to be made in the same manner as premium insurance tax and as a result, another OA official said retaliatory tax is distributed to schools in the same manner as premium insurance tax.

Schools received \$23.6 million from the retaliatory tax distributions for fiscal years 2006 and 2007. If retaliatory tax had been included in the Fire Education Fund for fiscal years 2006 and 2007 funding calculations, approximately \$43,000 would have transferred into the fund from the General Revenue Fund instead of the fund receiving nothing.

Fees charged are primarily less than other states reviewed

Missouri fireworks permit and license fees are primarily low in comparison to the 12 other states we compared Missouri's fees against. Table 2.2 shows the average or median fee assessed in the comparison group.

Table 2.2: Comparison of Missouri Fireworks Fees with Other States

Type of permit/license ²	Number of Permits/Licenses Issued in 2006	Current Permit/License Fee	Average or Median Fee	Percent Difference	Dollar Difference
Manufacturer	7	\$775	\$1,000	29	\$1,575
Distributor	50	775	950	23	8,750
Wholesaler	8	275	700	155	3,400
Seasonal Retailer	1,361	50	75	50	34,025
Displays	14	100	50	(50)	(700)
Proximate Displays	2	100	150	50	100
Operators ¹	83	100	125	25	2,075
Total	1,525				\$49,225

¹ Operators licenses are renewed every 3 years and as a result, the revenue generated is cyclical. The number of operator licenses issued in calendar year 2006 was less than calendar year 2005.

² Jobbers were not included in the comparison because the majority of other states did not have a jobber fee.

Source: SAO analysis of fireworks fees and permits issued in comparison to other state fireworks fees.

¹⁶ Section 148.350 -148.360, RSMo.

¹⁷ Section 320.094, RSMo.

¹⁸ Section 375.916, RSMo.

Penalties Rare for Noncompliance

DFS staff did not often revoke permits and licenses or report violators to local prosecuting attorneys. Over the last 3 years, officials reported one permit recipient not in compliance with state law to a local prosecutor, revoked one permit for illegal sale of fireworks and revoked three operator licenses. State regulations give DFS the authority to issue a written warning, revoke or suspend a permit after a written warning has been issued or the authority to refuse to renew or issue a permit if a violation occurs. State law¹⁹ allows DFS to call upon law enforcement officers for assistance in enforcing the fireworks law and regulations. State law establishes civil or criminal penalties for fireworks business owners operating without appropriate permits or noncompliance.²⁰

During the 2007 inspections, seven seasonal retailers had violations after an inspection and re-inspection with no penalty or sanction. One of the seven retailers operated without a permit during the fireworks season and did not submit a permit application until after the fireworks season ended. The business did not cease operating after the initial inspection or re-inspection as instructed by the DFS inspector. The permit application was dated the day after the re-inspection, but DFS did not receive it until after the fireworks season ended. A DFS official said the permit fee was accepted rather than reporting the business to the local prosecuting attorney for possible prosecution.

DFS officials said violations not pertaining to illegal fireworks²¹ are generally not submitted to the local prosecuting attorney because many types of violations would not be severe enough to warrant prosecution because the cost of enforcement exceeds the penalties. They also said inspectors will not revoke permits or licenses unless the violation results in imminent danger.

Limited Procedures to Identify Non-permitted Activities

DFS has established limited procedures to periodically search for non-permitted fireworks activities. State law requires a manufacturer, distributor, wholesaler, jobber, seasonal retailer, operator, and fireworks display be permitted prior to selling, offering for sale, shipping, or shooting display fireworks. A DFS official said DFS relies on consumer or competitor

¹⁹ Section 320.111, RSMo.

²⁰ Beginning in 2004, Section 320.111, RSMo, indicates any person who manufactures, sells, offers for sale, ships or causes to be shipped into the state for use in the state without the appropriate permit shall be assessed a civil penalty of up to a \$1,000 fine for each day of operation up to a maximum of \$10,000. Section 320.161, RSMo, indicates any person violating the fireworks law is guilty of a class A misdemeanor and any person in possession of, selling, or manufacturing illegal fireworks is guilty of a class C felony.

²¹ Section 320.136 defines illegal fireworks.

complaints, inspections performed by DFS during the fireworks season, or accident reports to identify non-permitted activities. This official said DFS does not have the resources necessary to proactively identify fireworks businesses, operators, or displays operating without a permit. The official also said the short seasonal timeframes impact the identification process.

Our review for non-permitted fireworks businesses identified at least 81 possible businesses in calendar years 2006 and 2007. We identified 36 displays or proximate fireworks displays in calendar year 2007 and 18 displays in calendar years 2005 and 2006 where a permit was not on file with DFS. Some of the displays may have been permitted by a local fire service authority; however, because only the permittee is required to notify DFS, we could not determine if the display had been properly permitted. We provided the results to a DFS official for review and analysis.

Online database beneficial in other states

Tennessee and Nebraska report state permitted fireworks businesses and/or operators to the local jurisdictions and the public on state Web sites. A fire safety official in Nebraska said these online records allow citizens and local governments to identify fireworks businesses that are not permitted. A DFS official said the division would consider creating an online database or listing of businesses or operators permitted by the state.

Conclusions

DFS has not received additional core budget funding for implementation of expanded fireworks law responsibilities in 2004 or other recent law changes including the state's private fire investigation program. Since 2004 statutory changes, fireworks permit and licensing fees have been deposited in the Fire Education Fund and have never been dedicated to program operations. The 2004 change occurred in part because the statutory formula for the Fire Education Fund funding had never resulted in a transfer to the fund. Increasing statutory responsibilities without authorizing additional resources may weaken an agency's ability to accomplish required tasks. Options exist for providing DFS funding for the fireworks program.

Fee revenue dedicated to the Fire Education Fund could be fully or partially redirected to fund division operations if state law was clarified as to how insurance company retaliatory tax is to be distributed. If retaliatory tax was distributed in the same manner as premium insurance, the Fire Education Fund would have received \$43,000 in fiscal years 2006 and 2007. In addition, Missouri fireworks permit and license fees are primarily lower than the fees in the 12 states we surveyed. Evaluation by the General Assembly of the funding formula for the Fire Education Fund and the permit and license fee rates is needed.

Sanctions or penalties for businesses or individuals not in compliance with the fireworks law or regulations are rarely enforced. If companies are not sanctioned or penalized for noncompliance, there is less incentive for them to comply with regulations.

DFS has established limited procedures to identify non-permitted businesses or events. We identified potential non-permitted fireworks businesses and displays with limited procedures. Other states have found disclosing permitted businesses or licensed operators on the Internet helps the public and local officials identify those businesses not in compliance. Ensuring all businesses and displays are permitted would increase fee revenue and help ensure public safety.

Recommendations

We recommend the Director of the Department of Public Safety:

- 2.1 Work with the General Assembly and OA to obtain funding for the fireworks program. Areas needing evaluation include fireworks permit and license fees going to the Fire Education Fund and current fireworks permit and license fee rates.
- 2.2 Revoke or suspend permits or licenses when violations identified are not corrected. Ensure vendors that fail to obtain proper permits after receiving warnings are reported to the local prosecuting attorney for possible penalty enforcement.
- 2.3 Establish procedures to identify fireworks businesses or individuals operating without a state permit or license. Take action to have these businesses permitted, licensed or sanctioned as appropriate.
- 2.4 Evaluate reporting permitted fireworks businesses and/or operators on the division's Web site.

We recommend the Commissioner of the Office of Administration:

- 2.5 Work with the General Assembly to clarify in Section 375.916, RSMo how retaliatory tax is to be distributed. Clarification should ensure consistent distribution.
- 2.6 Work with the General Assembly in evaluating the funding formula for the Fire Education Fund.

We recommend the General Assembly:

2.7 Evaluate (1) funding for the fireworks program, (2) the funding formula for the Fire Education Fund, and (3) fireworks permit and license fee rates.

2.8 Clarify in Section 375.916, RSMo, as to how retaliatory tax is to be distributed.

Agency Comments

Department of Public Safety Comments:

The Division of Fire Safety did not respond specifically to each recommendation. The division provided the following response:

The Division of Fire Safety Administration and Fire and Explosives Investigation Unit staff have reviewed the State Auditor's draft report of the Fireworks Licensing and Inspections Program. The Division has chosen to address the report per section, and respectfully submits the following response for clarification:

The report states: "During the 2007 inspections, seven seasonal retailers had violations after an inspection and re-inspection with no penalty or sanction."

Division of Fire Safety personnel inspected over 684 seasonal retailers during the 10-business day period for these retailers. It is a remarkable fact that only one percent of the retailers inspected still had violations after a re-inspection. In the past, local prosecutors have declined to file misdemeanor charges for any violations of the fireworks regulations, particularly after the retail season had ended.

The report states: "Establish procedures to identify fireworks businesses or individuals operating without a state permit or license."

Since the implementation of the Fireworks program the Division of Fire Safety has had a procedure for identifying fireworks businesses without a state permit. During the 10-business days of the retail season, Division personnel conducting inspections take a proactive approach to discover unlicensed retailers. When they observe any fireworks retailers that are not listed on their inspection list, personnel always then stop at those locations. They conduct an initial inspection and advise the retailers to cease immediately selling fireworks without obtaining a permit. To date, every such unlicensed retailer that has been located has obtained the proper permits.

This includes one unlicensed retailer whose application and payment arrived after the season ended. This individual was advised to cease selling fireworks when it was first discovered he had no permit. The individual immediately ceased selling before the inspector left the area. When the Division inspector returned to the retailer, it was then discovered that the individual was again selling fireworks. He again was advised to stop selling fireworks and obtain the proper permit. The individual immediately ceased selling before the inspector left the area. It was not possible or fiscally responsible for the inspector to monitor this one location constantly to determine if sales began again. It was also not considered fiscally responsible to expend further Division resources for an unfunded program to pursue prosecution after the retail season had ended and the individual had paid for the proper permit.

SAO Comment:

The recommendation is referring to establishing formal procedures using sales tax records and information searches to identify businesses or displays not permitted.

The need to pursue appropriate legal action is reflected in the comments provided about the unlicensed seasonal retailer. The vendor violated the first shut down order knowing there was little or no consequence for him resuming his fireworks sales. By not pursuing legal action when appropriate, there is less incentive for vendors to comply with requirements. It is not clear what financial cost the division would incur when referring violators to local prosecutors.

In summary, the Division of Fire Safety staff would like to take this opportunity to thank the audit team for their professional review of the Fireworks licensing and Inspection Program. We fully intend to continue to provide our state with excellence in service and to implement whatever changes are within our power which will move the program into a positive direction for all involved.

Office of Administration Comments:

2.5 The Office of Administration is willing to work with the General Assembly and provide information and analysis necessary to clarify and evaluate the funding formula.

2.6 The Office of Administration is willing to work with the General Assembly and provide information and analysis necessary to clarify and evaluate the funding formula.

Improved Procedures and Changes to State Law and Regulations Needed

Improvements to the state's inspection, permitting and licensing processes and changes to state law and regulations are needed. This situation has occurred because (1) DFS does not perform inspections on a risk and/or rotational basis, (2) state law allows local jurisdictions to set minimum compliance standards that are different than DFS standards, (3) licensing procedures have not ensured operators meet compliance requirements, (4) display and proximate fireworks display regulations lack key guidance requirements, (5) applications lack some information needed to determine eligibility, and (6) state law does not include some requirements other states have found beneficial for their fireworks programs. As a result, the public safety could be compromised and permits or licenses may be issued inappropriately.

Inspection Process Needs Improvement

Inspections performed are not based on a risk basis or rotational cycle. State law²² grants the State Fire Marshal and the marshal's deputies the authority to conduct inspections of any premises and all portions of buildings where fireworks are stored, manufactured, kept or being offered for sale. DFS officials said state law does not require DFS to perform any inspections. However, they said each year, the division's fire safety inspectors and investigators are provided a list of permitted fireworks businesses in their area for possible inspection.

Seasonal retailers often not inspected

DFS performed 392 and 684 inspections of seasonal retailers in 2006 and 2007, respectively, of more than 1,300 permitted retailers in each year. Table 3.1 shows 80 percent of the cities in calendar years 2005²³ and 2006 and 63 percent of the cities in calendar years 2005, 2006, and 2007 had one or no seasonal retailers inspected.

Table 3.1: Cities with One or No Seasonal Retail Inspections Performed by DFS

Period Reviewed	Percent of Cities with 1 or No Inspections	
	Total Cities with 1 or More Permits Issued	Performed
2 years ended 2006	527	80
3 years ended 2007	550	63

Source: SAO analysis of DFS' records.

Of the cities with ten or more permitted locations in 2005 and 2006, approximately 39 percent had one or no inspections performed in the 2 year period. Some of the larger cities with no inspections included St. Charles, St. Joseph, Blue Springs, Jefferson City, and Maryville. Of the cities with 10

²² Section 320.111, RSMo.

²³ For 2005, DFS reported 210 inspections but the database only listed 143 inspections.

or more permitted locations in 2005, 2006, and 2007, approximately 16 percent had one or no inspections performed in the 3 year period. Some of the cities with one or no inspections included Maryville, West Alton, Kennett, Reeds Spring, Fair Grove, Parkville, and Buffalo. During our observation of a seasonal retail inspection in Jefferson City, the store manager questioned some of the violations noted and asked if the law had changed. The site had not been inspected by DFS since at least 2004. DFS officials said the division relies on inspections performed in some local jurisdictions; however, they said DFS does not perform a review to identify which requirements in the fire code standards are evaluated by the local jurisdiction during an inspection and, as discussed further on page 21, local jurisdictions can establish less strict compliance requirements than those established by DFS.

Many of the same retail locations are inspected annually. For 2007, 160 of 684 (23 percent) inspections covered retailers inspected in 2006, but 318 retailers received no inspection in both years. In addition 220 of the 501 (44 percent) newly permitted retailers in 2007 received no inspection. DFS officials said inspections are performed when the inspectors are able to dedicate their time to performing the inspections. DFS officials said the inspectors are not dedicated to the fireworks program since the program is not funded, so fire investigations take priority over fireworks inspections and the businesses inspected are normally dependent on where the inspector is located when performing normal job duties.

**Inspections of distributors,
jobbers and wholesalers
limited**

Inspections of distributors, jobbers, and wholesalers are not frequently performed. DFS randomly performs inspections of jobbers, distributors, and wholesalers during the fireworks season or when a complaint is received. However, these fireworks businesses are open year round. DFS has not established any policies or procedures for performing inspections of these businesses during non-seasonal timeframes nor are there specific procedures to ensure inspections of these businesses are performed on a risk or rotational basis. A DFS official said the regulations do not identify specific inspection requirements for manufacturers, distributors, wholesalers, and jobbers as the regulations only indicate general and retail sales inspection criteria. They said inspections of these businesses are performed primarily using the seasonal retailer criteria.

To evaluate inspections of jobbers, wholesalers, and distributors, we summarized the inspections performed in calendar years 2006 and 2007 by type of permit. Table 3.2 identifies a low percentage of permitted jobbers, distributors, and wholesalers were inspected in both calendar years 2006 and 2007 as of August 2, 2007.

Table 3.2: Percentage of Permitted Businesses Without an Inspection

Type of Permit	Percentage of Businesses with No Inspection in 2006	Percentage of Businesses with No Inspection in 2007 as of August 2, 2007
Jobber	91	88
Distributor ¹	96	92
Wholesaler	75	70

¹ A DFS official said ATF licenses distributors selling display fireworks. This official said DFS relies upon ATF to perform inspections of federally licensed distributors. The permit database does not indicate whether a distributor is federally licensed. As a result, the percentage of businesses with no inspections may be higher than actual.

Source: SAO analysis of DFS permit databases.

Re-inspections are not always performed

DFS has not established procedures to ensure permitted businesses with inspection violations are re-inspected. A DFS official said inspectors prioritize re-inspections based on their work schedule and the division planned to make re-inspections a priority beginning in calendar year 2007. For 2007, records show 151 of the 299 (51 percent) businesses with inspection violations did not have a re-inspection. DFS officials said lack of funding and lack of time during the seasonal timeframe for the fireworks program reduces the time available for inspectors to perform re-inspections of businesses.

Fireworks businesses operating in a permanent structure are not required to be in compliance with fire code standards

State law and regulations do not require fireworks businesses operating in a permanent structure to be in compliance with nationally recognized fire codes. National Fire Protection Association (NFPA)²⁴ 101 Life Safety Code and other nationally recognized fire codes identify appropriate occupancy levels, means of egress, fire alarm requirements and other necessary safety standards in case of a fire. Currently, the state does not have statewide fire codes for any permanent building structure. According to DFS officials, local jurisdictions have the responsibility to establish their own fire code standards. They also said while the fireworks state law²⁵ and regulations require manufacturers, distributors, wholesalers, and jobbers to be in compliance with all applicable building and fire regulations in the city or county, the city or county may not have established any building and fire regulations.

²⁴ The National Fire Protection Association (NFPA) provides standards that outline recommendations for the manufacture, storage, transportation and execution of fireworks as well as life safety guidelines.

²⁵ Section 320.111, RSMo.

Since state regulation does not require the fireworks businesses operating in a permanent structure be in compliance with nationally recognized standards, a DFS official said DFS does not perform any review of these existing businesses to ensure they are operating in accordance with national standards. This official said two plan reviews have been performed within the last year using NFPA 101 standards for wholesalers and jobbers located in new permanent buildings; however, since the regulations do not require these businesses to comply with NFPA standards DFS cannot enforce any requirements without a regulation being established. A DFS official said DFS is planning on revising state regulations to include requirements for fireworks permanent structures. The official said it would be a benefit to the fireworks businesses to be in compliance with national fire code standards as such compliance could potentially reduce insurance costs associated with operating a permanent building structure.

Different Compliance Standards for Local Jurisdictions

State law is inconsistent as local jurisdictions²⁶ are not required to comply with the same fireworks requirements as DFS.

Display and proximate fireworks display standards

State law allows local jurisdictions to establish different display and proximate fireworks display compliance standards²⁷ which may not be consistent with standards established by DFS. State law²⁸ allows either DFS or local fire service authorities to grant a permit for display or proximate fireworks. State law²⁹ lists specific requirements to obtain display or proximate permits. In addition, state law has specific requirements during a fireworks display presentation. Some of these requirements include:

- Applicants must submit \$100 to be deposited to the Fire Education Fund.
- Application shall be on a form provided or approved by the State Fire Marshal.
- Applicant shall furnish proof of financial responsibility in an amount established by promulgated rule to the permitting authority.³⁰

²⁶ Local jurisdiction includes any city, town, village, or any county operating under a charter form of government in the state.

²⁷ Section 320.121, RSMo.

²⁸ Section 320.126, RSMo.

²⁹ Section 320.111, RSMo and Section 320.126, RSMo.

³⁰ 11 CSR 40-3 requires proof of insurance coverage of not less than \$1 million.

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- The display shall be supervised, managed, or directed by a licensed operator.
 - The display shall be inspected for public safety based on the most current edition of NFPA standards 1123, 1124, and 1126.³¹
 - Any establishment where proximate fireworks are to be discharged shall be inspected for compliance with NFPA 101 Life Safety Code or other nationally recognized code in relation to means of egress, occupancy load, automatic sprinkler and fire alarm systems.

We contacted three local jurisdictions (Springfield, Branson, and Holts Summit) responsible for permitting and inspecting display or proximate fireworks. We determined the standards established by the local jurisdictions did not meet the standards established by DFS. Examples of weaknesses or differences identified include:

- A Springfield fire safety official said the city does not currently have an inspection form for use during an inspection but the official said inspectors will use the inspection form developed by DFS beginning in 2008.
- According to the Branson display permit, the city only requires \$500,000 in liability insurance.

Seasonal retailer standards

State law allows local jurisdictions to establish different seasonal retail compliance standards³² which may not be consistent with DFS standards. Although DFS is responsible for permitting and inspecting fireworks seasonal retailers, certain local jurisdictions also permit and perform inspections of the seasonal retailers located within their jurisdiction. The inspections performed by the local jurisdictions may not necessarily meet the standards required by DFS.

DFS officials said due to limited staff and inability to inspect each seasonal retailer annually, DFS relies upon the local jurisdictions in certain instances to perform inspections, such as Jefferson City, St. Joseph, Blue Springs, City of Eureka and Grain Valley. A DFS official said DFS ensures the local

³¹ NFPA 1123 documents the Code for Fireworks Displays. NFPA 1124 documents the Code for the Manufacturing, Transportation, Storage and Retail Sale of Fireworks and Pyrotechnic Articles. NFPA 1126 documents the Standards for the Use of Pyrotechnics Before a Proximate Audience.

³² Section 320.121, RSMo.

jurisdictions perform inspections that meet certain fire code standards; however, a review is not performed to identify which requirements in the code are evaluated. During our observation of two DFS fireworks seasonal retailer inspections in Jefferson City, DFS identified many violations for each of the retailers. We compared the violations noted by DFS to the violations noted by the Jefferson City inspectors and determined Jefferson City inspections evaluate fewer specific compliance standards than DFS.

Operator Licensing Needs Improvement

Operators performing a display or proximate fireworks display in the state must obtain a federal license, if applicable, from the ATF and a state license from the DFS. Analysis of the division's licensing processes identified (1) validation of a federal license had been obtained prior to state licensing did not always occur, (2) state law needs to be clarified to allow DFS to perform complete background checks, and (3) some state regulations need clarification.

Federal licenses are not appropriately validated

State regulations³³ require operator applicants to submit a copy of their ATF license or permit, if applicable, prior to a state operator license being issued to an applicant. However, DFS staff have not been verifying all federal licenses or permits prior to licensing operators in the state. During our review, we found state licensed operators who do not possess a federal license or permit. To determine if state licensed operators possessed a federal license or permit, we matched records from the operator license database to records from ATF based on name. We identified approximately 364 operators who potentially did not possess a federal license or permit.

We reviewed 16 of these 364 operators with ATF and DFS officials to evaluate the operator's federal licensing status. DFS staff and ATF officials confirmed 12 of the 16 were currently not federally licensed or permitted and should have had a federal permit. DFS staff analysis showed the division:

- Could not provide documentation supporting nine operators were federally licensed at the time DFS licensed them. According to a DFS official, the job responsibility or employer of these individuals would require the operator to be federally licensed.
- Had documentation to support three operators were federally licensed or permitted at the time DFS licensed the operator; however, the federal license or permit expired and had not been renewed but the state license remained valid.

³³ 11 CSR 40-3 (9)(B)5.F.

A DFS official said prior DFS program management did not require a copy of the ATF responsible person or employee possessor permit if the employer validated the individual worked for the business. A DFS official said DFS began requiring a copy of the federal permit prior to licensing an applicant within the last year. A DFS official also said certain operators will begin the license renewal process in 2007.

Background checks of operators not done at the state level

State regulations require applicants for an operator license to not have a felony conviction or have pleaded guilty to a felony. However, state law does not give DFS clear authority to perform fingerprint background checks of operators.

DFS officials said background checks have not been performed because state law does not mandate the division perform background checks nor has the division received funding to perform background checks. A MSHP official said state law³⁴ gives state agencies the authority to obtain fingerprint background checks for licensing purposes; however, the official said the law would need to be updated to give DFS specific authority to obtain background checks. As a result, DFS is unable to conduct fingerprint background checks under state law.

DFS officials also said the division relies on ATF's background check screening in the federal licensing and permitting process and, as such, additional state checks would be unnecessary. An ATF official said some federally permitted operators³⁵ do not receive a fingerprint background check and a MSHP official said a criminal history background check of the state's records is not part of the federal background check. At least 200 of the 768 (26 percent) state licensed operators would not have had federal background checks and none of the licensed operators would have had a state background check.

Open record background checks

Even without clear authority to obtain fingerprint background checks, DFS currently has the authority to obtain open record checks. A DFS official said DFS had not obtained such checks on operators because the division was not aware of this authority and there was no funding for the checks. To evaluate if any licensed operators had been convicted or pleaded guilty to a felony, we submitted records from the DFS operator license database to the MSHP for an open records check. The analysis identified three licensed operators who were found guilty or pleaded guilty to a felony and three licensed operators who have a pending felony charge. For the three

³⁴ Section 43.543, RSMo.

³⁵ Employee possessor permits.

	operators with felony convictions, the verdict or plea occurred after DFS issued their license.
Regulations need to be updated	State regulations do not require operators to attend a training course within a certain period of time before the issuance of the initial license nor is there a minimum number of training hours required for the initial license issued by DFS. A DFS official said the informal procedure documented in training application material is for the applicant to have completed training within one year before the application request.
Display and Proximate Fireworks Display Requirements Need Improvement	Beginning in 2004, state law required an inspection to be performed of displays and proximate fireworks displays using the most current edition of NFPA 1123, 1124 and 1126. Display and proximate fireworks display requirements are identified per the regulations. However, certain requirements cited by the NFPA are not required per regulations. A DFS official said not all items are required to be validated by DFS because the operator is already required under state law to be in compliance with the NFPA standards when performing a display.
Regulations changes needed	<p>DFS has incorporated compliance requirements from the NFPA standards in its fireworks regulations, such as detailed site plans and records of pyrotechnic material to be used. During our review of NFPA standards, we identified other issues not addressed or insufficiently addressed in the regulations:</p> <ul style="list-style-type: none"> • Emergency procedures • Detailed site plans • Termination procedures
Emergency procedures should be documented	Regulations do not require applicants to develop or document emergency procedures for a display. NFPA recommends applicants prepare the actions to be taken in the event of an accident, such as notifying emergency forces and notifying the operator to terminate firing in the event a hazard arises. The plan should be submitted to the area having jurisdiction for approval.
Detailed site plan need more information	Regulations require applicants to provide a detailed site plan. However, regulations do not require the site plan to be to scale or to include necessary information recommended by the NFPA, such as the location of fireworks storage areas, traffic plans, location of emergency vehicles, and location of significant roadways.
Termination procedures not required	Regulations do not require applicants to develop termination procedures for a display. NFPA recommends applicants prepare a description of the actions

to be taken upon completion of the display and submitted to the area having jurisdiction for approval.

Permit Applications Missing Information

Permit applications do not request some information needed. We identified the following areas where more information needs to be requested to determine eligibility:

- Regulations require display distributors, if applicable, to have obtained a federal permit. However, the distributor application does not request applicants to identify if they sell display fireworks. The current application only requests applicants to identify if they conduct pyrotechnic displays. As a result, DFS cannot ensure all applicants obtained the required federal licenses prior to DFS permitting the applicant. A DFS official said the 2008 application form was updated to ask for this specific information.
- State law requires wholesaler, jobber and seasonal retailer applicants to be at least 18 years old. Regulations require manufacturer, distributor applicants to be at least 21 years old. However, DFS does not request the applicants age per the application nor perform any procedures to validate the applicants meet the minimum age standards. A DFS official said they rely upon ATF to validate the age of the manufacturer and distributor applicants. However, ATF is not responsible for validating the age of wholesaler, jobber, seasonal retailer, or non-federally licensed distributor applicants.

Other Law Changes

We identified laws in other states that may be beneficial if enacted in Missouri. To ensure financial responsibility of fireworks businesses and to assist in identifying illegal fireworks sales, other states have established laws or regulations addressing these issues.

Proof of financial responsibility

State law or regulations do not require manufacturers, distributors, wholesalers, jobbers, or seasonal retailers operating in a permanent structure to furnish proof of financial responsibility in order to satisfy claims for damages to property or personal injuries arising out of any act or omission. An Arkansas official said Arkansas requires fireworks distributors, jobbers, and wholesalers to furnish proof of financial responsibility. A Georgia official said Georgia also requires fireworks manufacturers to furnish proof of financial responsibility to ensure the business would have coverage if an accident occurred. A DFS official said financial responsibility for these businesses has not been required since it is not mandated by law or regulation.

Access to fireworks business financial records

The fireworks state law or regulations do not require fireworks manufacturers, distributors, wholesalers or jobbers to maintain accurate records of sale, shipment or purchases or allow the State Fire Marshal access to these records. State law in Alabama, Arkansas, and Tennessee require certain permit holders to maintain a record of each sale, delivery or out shipment of fireworks showing the name and address of the seller or purchaser, item and quantity received or sold. The records shall be maintained at the place of business for the current and immediately preceding calendar year and are subject to examination by the State Fire Marshal or his deputies. Nebraska requires any person licensed to keep available for inspection a copy of each invoice for fireworks purchased as long as any fireworks included on such invoice are held in possession. The Nebraska fire safety official said the inspectors review the invoices to identify any fireworks illegally purchased.

Conclusions

DFS staffing limitations and the short seasonal timeframe prevent seasonal retailers from being inspected annually, but DFS has not established procedures to inspect these retailers on a risk or rotational basis that would target new retailers or those with past compliance problems. Distributors, jobbers, and wholesalers are inspected infrequently and DFS has not established any specific inspection procedures for these businesses. Re-inspection of facilities with violations are not always performed. In 2007, DFS limited re-inspection to half of the facilities with identified violations.

State law and regulations do not require fireworks businesses, excluding seasonal retailers, operating in a permanent structure to be in compliance with nationally recognized fire codes. A regulation in this area would help ensure uniform standards statewide and benefit public safety.

State law allows local jurisdictions to establish safety standards for displays, proximate fireworks displays and fireworks businesses that differ from DFS standards. Public safety may be harmed due to weaker local safety standards.

Fireworks operators must be federally licensed, if applicable, prior to obtaining a state operator license. Procedures performed have not ensured (1) applicable operators have federal licenses or permits and (2) if licensed, those licenses remained active or were renewed through the end of the state license period. Incomplete state law limits the division's ability to perform complete background checks. State regulations need clarification on the timing of training prior to licensure.

State regulations covering display and proximate fireworks display compliance requirements do not include key items outlined in NFPA 1123,

1124, and 1126. State law requires inspections to be performed under these rules. Insufficient information requested on permit applications limits division staff's ability to ensure applicants meet all eligibility requirements.

Implementation of fireworks law or requirements similar to those in other states regarding financial responsibility and granting DFS personnel access to sale, shipping and purchase records may be beneficial in Missouri.

Recommendations

We recommend the Director of the Department of Public Safety:

- 3.1 Establish policies and procedures for fireworks inspection activities that include:
 - Performing inspections and re-inspections on a risk basis, emphasizing new businesses and businesses with prior violations.
 - Establishing inspection procedures for jobbers, wholesalers and distributors.
 - Ensuring each business is inspected periodically.
 - Evaluating inspection procedures performed by local jurisdictions that the division places reliance on due to staffing limitations.
- 3.2 Establish regulations requiring fireworks businesses operating in a permanent structure to comply with nationally recognized fire codes and inspect the businesses periodically.
- 3.3 Work with the General Assembly to revise state law to ensure consistent fireworks standards are implemented on a statewide basis.
- 3.4 Establish policies and procedures for operator licensing that:
 - Verify federal permits are valid prior to issuance of the state license.
 - Track license recipients whose federal license expires before the state license and take action as necessary to evaluate if the federal license was renewed.
 - Include obtaining background checks of operators as funding is available.
- 3.5 Work with the General Assembly to clarify DFS has the authority to obtain fingerprint background check results as part of the operator licensing process and ensure adequate funding is available for these background checks.
- 3.6 Clarify in state regulations the timing and number of training hours needed prior to licensure for operators.

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- 3.7 Update display and proximate fireworks display regulations to include NFPA guidelines covering (1) emergency procedures, (2) more detailed site plans and (3) termination procedures.
 - 3.8 Update applications for sale and age information and verify as necessary the applicant meets eligibility compliance requirements.
 - 3.9 Work with the General Assembly in evaluating fireworks law changes, requiring businesses show proof of financial responsibility and giving DFS access to financial records.

We recommend the General Assembly:

- 3.10 Revise state law to ensure consistent fireworks standards are implemented on a statewide basis.
- 3.11 Revise state law to clarify DFS has authority to obtain fingerprint background check results as part of the operator licensing process. Ensure adequate funding is available to support background checks.
- 3.12 Consider requiring fireworks businesses show proof of financial responsibility and give DFS access to financial records in state law.

Agency Comments

Department of Public Safety Comments:

The Division of Fire Safety did not respond specifically to each recommendation. The division provided the following response:

The Division of Fire Safety Administration and Fire and Explosives Investigation Unit staff have reviewed the State Auditor's draft report of the Fireworks Licensing and Inspections Program. The Division has chosen to address the report per section, and respectfully submits the following response for clarification:

The report states: "Some of the larger cities with no inspections included St. Charles, St. Joseph, Blue Springs, Jefferson City, and Maryville."

All of these cities conducted fire safety inspections of the seasonal retailers located within their own jurisdictions. The Division determined that it was in the best interest of public safety to concentrate its inspections where there were no local authorities conducting inspections rather than duplicate local efforts and further limit the number of inspections possible during the limited retail season. Furthermore, it was not considered fiscally

responsible to conduct duplicate inspections where local officials were conducting inspections for compliance with the International Fire Code.

SAO Comment:

We are not suggesting DFS duplicate the work performed by local officials, but if DFS intends to rely on the local inspections in lieu of those performed by DFS, then procedures need to be established to evaluate the inspection procedures and issues identified by the local officials. As the Jefferson City inspections discussed in the report point out, local official inspections do not always cover the same compliance issues covered by DFS inspections.

The report states: “Many of the same retail locations are inspected annually.”

One of the undeniable elements of every fire inspection program is that there is no possible way that every facility inspected will remain in compliance after an inspector leaves the premises. Thus, it is just as important to inspect previously licensed retailers, as it is to inspect newly licensed retailers. In many cases, newly licensed retailers may be more likely to be in compliance having just received the regulations for the first time. Division of Fire Safety personnel inspected double the number of seasonal retailers inspected in 2007 as in any previous year. These inspections were conducted with the Division’s limited resources and in addition to their mandated duties.

SAO Comment:

As recommendation 3.1 states, we are not saying established retailers do not need inspections. Each retailer needs an inspection on a periodic basis with higher risk businesses (new retailers and those with prior compliance problems) needing to be prioritized.

The report states: “For 2007, records show 151 of the 299 (51 percent) businesses with inspection violations did not have a re-inspection.”

During the 10-business days of the 2007 retail sales season, Division personnel conducted over 684 inspections of permitted seasonal retailers. One-hundred and fifty-one businesses without a re-inspection, equates to only 22 percent of those inspections which did not have a re-inspection. The limited time available, as some of the businesses closed at the end of the season, makes a re-inspection nearly impossible. Personnel inspected 51 percent of permitted seasonal retailers in addition to the other mandated duties.

SAO Comment:

The 22 percent cited by DFS is not relevant because businesses without violations would not need a re-inspection. Businesses with known compliance problems would present a higher risk to public safety.

The report states: “State law allows local jurisdictions to establish different display and proximate fireworks display compliance standards which may not be consistent with standards established by DFS.”

RSMo 320.126 states: “Every such display shall be supervised, managed, or directed by a Missouri licensed operator, or pyrotechnic operator on site pursuant to subdivisions (11) and (18) of section 320.106 and shall be located, discharged, or fired so as in the opinion of the permitting authority, after proper inspection based on the most current edition of the National Fire Protection Association standards, NFPA 1123, 1124, and 1126, to not be hazardous to any person or property.” Under this statute, local jurisdictions are required to inspect fireworks displays to comply with the most current editions of NFPA 1123, 1124, and 1126. Thus, local jurisdictions must follow the same requirements as DFS for public displays. The Division has no authority to ensure that local jurisdictions are complying with this statute.*

SAO Comment:

The purpose of the recommendation is to alert the General Assembly that public safety may be compromised due to local jurisdictions establishing less strict compliance standards.

The report states: “State law allows local jurisdictions to establish different seasonal retail compliance standards which may not be consistent with DFS standards.”

Since state law allows this, the Division cannot establish any regulations to the contrary. Additionally, the majority of local jurisdictions in the state doing code enforcement have adopted the International Fire Code.

SAO Comment:

The audit is not saying the division needs to establish regulations contrary to state law. It says work with the General Assembly on establishing consistent statewide fireworks safety standards in state law. Although certain local jurisdictions have adopted the International Fire Code, this does not necessarily ensure the same procedures and criteria are evaluated when local jurisdiction inspections occur.

The report states: "During our review, we found state licensed operators who did not possess a federal license or permit. To determine if state licensed operators possessed a license or permit, we matched records from the operator license database to records from ATF based on name. We identified approximately 364 operators who potentially did not possess a federal license or permit."

The Division licenses several individuals as operators who are employed by government entities and only perform displays for those government entities. Neither these individuals nor the government entities are required to have a federal license.

During the initial stages of the operator-licensing program, several individuals were licensed based on verification from licensed fireworks companies that those persons were on the companies' federal license. Of those initially licensed operators, the DFS operator licenses of 131 individuals have expired and have not been renewed.

An ATF Specialist of the Federal Explosive Licensing Center advised DFS in 2007 that ATF was approximately six months behind in processing applicants for licenses and permits. Thus, individuals may have applied for federal licensing but not officially listed on a company license as a user/possessor. Federal regulations only require that a company license holder report new responsible people/employee possessors within 30 days to ATF. The Specialist said that those new individuals are then covered by the license until their applications are processed. Based on this information, DFS issued licenses to individuals after receiving copies of their federal applications, although ATF had not yet placed their names on an official license.

Since July 2006, DFS has required hard copies of federal permits before licensing display operator applicants. Additionally, 581 operators must renew their licenses in 2008. During this process, all individuals must supply the Division with a copy of their current federal license.

The report states: "DFS staff analysis showed...Had documentation to support three operators were federally licensed or permitted at the time DFS licensed the operator; however, the federal license or permit expired and had not been renewed but the state license remained valid."

DFS regulations only require a copy of an ATF license or permit, if required, when applying for a state license or permit. The Division of Fire Safety will explore a process for identifying expired ATF licenses and/or a revocation process.

The report states: "The analysis identified three licensed operators who were found guilty or pleaded guilty to a felony and three licensed operators who have a pending felony charge. For the three operators, the guilty verdict or plea occurred after DFS issued their license."

State regulations state that an "Applicant shall not have a felony conviction or have pleaded guilty to a felony." However, current DFS regulations do not allow DFS to revoke a license or permit if a felony conviction or guilty plea occurs during the license period. Therefore, regardless of a conviction or guilty plea, DFS cannot take any action concerning the licenses of those individuals identified by the Auditor's Office. If an individual either has a conviction or guilty plea or fails to provide that information, that person's license would not be renewed by the Division at the end of the person's licensing period. The operator's license of one of the individuals identified with a conviction expired in September 2007 and was not renewed by DFS. Additionally, the Division of Fire Safety will explore a process for identifying operators who have been convicted of a felony and/or a revocation process.

The report states: "State regulations do not require operators to attend a training course within a certain period of time before the issuance of the initial license..."

The DFS Display and Proximate Fireworks Licensing booklet provided to the Auditor's Office states: "If an applicant has not tested, taken a retest, or completed the licensing process within one year of course completion, his or her testing records will be deemed inactive and the entire course must be taken again to be eligible to test." Thus, if an applicant has not tested or not been licensed within one year of course completion, that applicant must take the entire course again to be eligible to test. This sets a one-year limit for licensing within a year of taking a course. Furthermore, regulations state: "To obtain recertification, the applicant shall be required to meet the following criteria: A. Provide documentation that applicant has attended a minimum of twelve (12) hours of continuing education relating to pyrotechnics within the past three (3) years."

SAO Comment:

The audit is recommending the cited time period be formalized in state regulation.

Under the section entitled "Display and Proximate Fireworks Display Requirements Need Improvement," the report states: "However, certain requirements cited by NFPA are not required per regulations."

As previously stated above, RSMo 320.126 states: “Every such display shall be supervised, managed, or directed by a Missouri licensed operator, or pyrotechnic operator on site pursuant to subdivisions (11) and (18) of section 320.106 and shall be located, discharged, or fired so as in the opinion of the permitting authority, after proper inspection based on the most current edition of the National Fire Protection Association standards, NFPA 1123, 1124, and 1126, to not be hazardous to any person or property.”*

To avoid the redundancy and confusion, the regulations do not repeat these requirements since this statute requires inspections be based on the most current NFPA editions. Therefore, the “issues not addressed or insufficiently addressed in the regulations” are addressed thoroughly in the NFPA standards which are mandated by statute and incorporated by reference into the regulations. It would be pointless to further elaborate on only the three items listed in the report that are adequately covered in the NFPA standards.

SAO Comment:

Regulations cite some specific parts of these NFPA standards. The purpose of the recommendation is to point out there are other key issues in the NFPA standards not cited in regulations.

The report states: “Regulations require display distributors to have obtained a federal permit. However, the distributor application does not request the applicant to identify if they sell display fireworks.”

The regulations under the section “Applications for Permit: Manufacturer, Distributor, Wholesaler, Jobber, Seasonal Retail.” only require a copy of a federal permit if applicable. If a “distributor” deals in only 1.4G fireworks, that distributor would not be required to have a federal permit, thus making it impossible to obtain a copy of a permit. The application used for any manufacturer, distributor, wholesaler, jobber, seasonal retailer previously contained the statement: “Does your business conduct fireworks displays.” This statement was modified in July 2007 to read, “Does your business sell display fireworks as defined in chapter 320 RSMo.”

In summary, the Division of Fire Safety staff would like to take this opportunity to thank the audit team for their professional review of the Fireworks licensing and Inspection Program. We fully intend to continue to provide our state with excellence in service and to implement whatever changes are within our power which will move the program into a positive direction for all involved.